SOCIAL AND ECONOMIC STUDIES

VOL. 9, NO. 1 MARCH, 1960

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
UNIVERSITY COLLEGE OF THE WEST INDIES, JAMAICA, W.I.

Symposium on the Report of the Trade and Tariffs Commission (Croft Report)

COMMENT

BY

HARRY G. JOHNSON

The Croft Report is an eminently down-to-earth document, concerned for the most part with the practical problem of devising an acceptable compromise single tariff system to replace ten hitherto independent systems. Given terms of reference which specified a customs union scheme, a Commission dominated by experienced customs and excise officials, the obvious fact that future tariff policy for the union must be a Federal responsibility, and the importance of customs (and excise) revenue in the public finance of all Units, it was almost inevitable that the Report would concentrate on the narrowly fiscal problems of customs union, notably its effects on the size and distribution of customs revenue. The broader issues raised by the customs union scheme in the context of West Indian Federation – the potential role of tariff policy in fostering regional economic development, and the place of customs (and excise) revenue in public finance – appear only briefly and not entirely happily in the Report, being treated as either agreed and settled or deferrable. This narrowly concrete and revenue-orientated approach involves a definite danger of committing the Federation without adequate consideration to lines of policy which will prove awkward in future, simply because they seem a sensible compromise at present. Thus the Commission's tenderness to existing protection, expressed in proposals for special devices to allow its continuance for a transition period of five years or longer, may well create strong vested interests against the enjoyment of the full benefits of freedom of internal trade. Similarly, the restrictions placed for currently cogent reasons on the range of the consumption duty, the Commission's device for providing adequate and elastic revenue for the Units, may prove a severe limit on Unit finances at some future date. The histories of several federal countries are marked by recurrent troubles with initial special concessions and rigid fiscal arrangements.

The main result of the Croft Commission's deliberations is the detailed schedule of tariff rates for the customs union, together with the consumption duty scheme, the proposals for the transition period, and the recommendations regarding customs law, procedures, and administration. Adequate discussion of the proposed tariff schedules would require a detailed knowledge of the public financial systems and economic structure of the

West Indies which I cannot even pretend to possess. Lacking such knowledge, I must confine my remarks to certain general issues raised by, but not always exhaustively investigated in, Part I of the Report. The first of these is the nature of customs union and the economic effects thereof, with special reference to the West Indies, a matter on which I do not think the Commission has thought sufficiently deeply; this matter is chiefly significant in relation to the Commission's general tendency in its practical proposals to concentrate on the public revenue aspect of customs duties, and to regard protection as a secondary and more important, as a separable problem. Second, the Commission's method of calculating average tariff rates, and its assessment of their effects on Unit revenues, though perhaps the best that can be devised by rule of thumb, shows no awareness of the economic effects of the tariff changes accompanying the introduction of a customs union, and in fact makes economic assumptions which are inconsistent with those implied in other sections of the Report. Thirdly, though the consumption rule for the distribution of surplus tariff revenues is written into the Constitution and hence lies outside the Commission's terms of reference, I find it intriguing enough as a theoretical problem to call for some analysis. Fourthly, while the Commission's consumption tax scheme is the obviously sensible answer to the problem it is designed to solve, the argument for limiting its range as narrowly as the Commission proposes seems to me to rest on weak grounds. Fifthly, the Commission's proposals for the preservation of existing protection during the transition period seems to me, as I have already mentioned, to court unnecessary dangers. Finally, there are a number of minor comments and questions I should like to put.

I

The Commission's views on "The Meaning of Customs Union" appear to reflect the particular problems and climate of opinion of the West Indies far more than to express a general view based on study of the problem of customs union as such. This is natural enough: on the one hand, academic study of the economics of customs unions is of relatively recent origin, in fact a post-war development, and both the problems and the theory relating to them are extremely complex; while the practical operating problems of a federal economy are alien to the experience of metropolitan and colonial British administrators. On the other hand, any political movement towards a major economic change must to some extent rely for winning adherence on a mythology, the critical examination of which would not necessarily be helpful to progress.

Viewed in this latter light, the Report's appeal to the historical examples of the U.S.A. and Germany, its references to the longer-run economic benefits which will eventually compensate the federating Units for temporary losses and adjustment problems, its emphasis on a broad concept of economic union embracing elimination of all barriers to free movement of persons and capital

as well as goods, and its insistence on the inseparability of internal free trade and the common external tariff, can all be defended as arguments conducing to the maximum submergence of individual differences in the creation of a single political and economic entity. As has already been suggested, one of the problems of federalism is that reservations made on behalf of individual members at the start remain as bones of contention and refuges for vested interests ever after, so that generally speaking the nearer to a unitary state a federation begins the better. Again there would probably be general agreement among economists that, within the bounds of one country, the reduction of barriers of all kinds to movement of goods and factors of production is beneficial, so that the closer a customs union came to creating a single economic territory the better its prospects would be. Viewed as propositions intended to be generally valid, however, these statements of the Commission require severe qualification and even reformulation if they are not to give a misleading impression of the economics of customs unions.

In the first place, the Commission's statement (paragraph 26) that "the U.S.A. and Germany provide outstanding examples of customs unions of separate states which led to a great increase in the economic power of the two areas, and thereby laid the foundation of their subsequent political power" contains two extremely debatable assertions: that it was the customs union that increased the economic power (whatever this phrase means) rather than the exploitation of natural resources by new science and technology and a growing population (a process to which the customs union may of course have contributed), and that economic power in this sense, rather than numbers or strategic geographical location, is the foundation of political power. The same problem, the role of commercial policy as opposed to abundant natural resources, arises with respect to the successful Commonwealth customs unions quoted in the same paragraph. It is clearly a relevant (and not altogether encouraging) consideration in assessing what customs union may achieve for the West Indies. As against this, contemplation of the economic histories of the Dominions suggests that the benefits from federation and customs union, in the early stages at least, lay far less in the creation of an internal free market than in the resulting capacity to mobilize credit on a large scale for the purpose of massive strategic investment, most noticeably in transport improvements.

This brings us, in the second place, to the Commission's views on the economic benefits conferred by customs union, as summarized in paragraph 36. These run in terms of the effects of the creation of a larger economic territory in making possible a better division of labour, permitting the introduction and growth of industries subject to economies of scale, and facilitating the establishment of "a single representative agency which is in a position to formulate a coherent economic policy and to speak and act for the whole area with knowledge and authority and with the weight that unity provides."

As regards the first source of benefit, the improvement of the division of

labour within the customs union tells only part of the story of the effects of customs union. The creation of a protected market in other members' territory where competition with foreign supplies was formerly on equal terms involves a worsening of the division of labour between the customs union area and the rest of the world, and the net effect of improving and worsening effects may be either to increase or to decrease the national income on balance. This is the problem, first analysed by Professor Jacob Viner, of the balance of the trade-creating (replacement of more expensive domestic by cheaper other-member or foreign production) and trade-diverting (replacement of cheaper foreign by more expensive other-member production) effects of the union. In the more practical terms in which the Commission argues, trade-creation involves the sacrifice of protected domestic production "for the sake of extended free markets", trade-diversion the payment of "higher prices for manufactured goods for the sake of solidarity with . . . partners" (paragraph 25). The former sacrifice tends to be beneficial, and the latter not, except to the extent that unemployment makes money prices diverge from social opportunity costs in the separate parts of the union.

The Commission argues that both types of adjustment are likely to be "no more than inconveniences of short duration" soon compensated by the consequences of consolidation. This argument seems insufficient in two respects. It overlooks the vital distinction between the beneficial and the harmful effects of the union; and it glosses over what the history of federal countries amply illustrates, that both adjustments can become a surviving subject of grievance for the Unit against the Federation. The fact that a Unit is demonstrably better off than it used to be does not prevent it from cherishing the notion that it would be still better off had it not been obliged to make a sacrifice!

Aside from the fact that a customs union can have both deleterious and beneficial effects on the division of labour, there is a question as to how important quantitatively these effects are. It can fairly easily be shown that, on the consumer's surplus type of measurement of welfare losses from tariffs and other taxes, the potential gains from the institution of a customs union in terms of improved division of labour are likely to be a very small increase in national income indeed, equal say to the growth of national income over a year or less.[a] This is because the gain is a product of the lowering of cost through substitution which tariff-removal permits, and the amount of substitution which results, both of which are likely to be small in relation to national income.[b] Looking at the matter more concretely, given the economic structures of the islands and the transport difficulties between them to which

[a]See for illustration, H. G. Johnson (*1*).

[b]The crude Marshallian consumers' surplus measure of loss from a tariff is $\frac{1}{2} J^2 V\varepsilon$, where J is the proportion of tariff in market price, V the market value of consumption and ε the elasticity of demand for imports. Using the figures of Table 1 as approximate average tariff rates, and assuming $V\varepsilon$ approximately equal to national income, the Marshallian measure would be 1.1% of national income for St. Lucia and less than .5% for the ten islands together. These figures are purely illustrative of the order of magnitude of the welfare effect of the tariffs.

the Commission refers, the gains from re-allocating *existing* production to the cheapest-cost locations are unlikely to be very substantial. What this implies is that the effects of customs (and economic) union on the rate of economic growth and on the efficiency of location of new investment are likely to have a more important influence on future national income than its effects on division of labour between existing productive resources.

The Commission's second source of benefit, the development of industries subject to economies of scale, is not described fully enough to permit assessment. Presumably some form of the infant industry argument is intended — there is no special virtue in industries subject to economies of scale if these economies do not lower costs sufficiently to make domestic production cheaper than importation. The obvious question is how far there exist such industries, which could thrive in the spatially disjointed market of a West Indian customs union.

The Commission's third source of benefit, facilitating the establishment of a single representative agency, really comprises two ideas — administration of the common tariff in support of internal policy objectives, and a stronger position for tariff bargaining with other countries or unions. How far gains can be obtained along the latter line is doubtful, since the area's trade will still be relatively unimportant to the major world trading nations and in any case little more than double that of Trinidad or Jamaica alone. The former would seem to be much the stronger consideration, especially when read in conjunction with the need for economic development and industrialization. Economic development via industrialization requires major investments of capital; the customs union should permit creation of the most favourable market conditions for these investments to be successful, and at the same time, by assuring the freedom of movement of goods and factors in the area, encourage the selection of the most efficient location (and, where relevant, the optimum scale) of new industrial capacity. In addition there is the point mentioned above, that Federation and economic union may facilitate the raising of development capital abroad by the Government. In my view, it is in the context of a programme of economic development that the real strength of the case for West Indian customs union lies.

Two other aspects of the Commision's views call for comment. These are its opinion that freedom of movement of goods between members "inevitably also carries with it, as a corollary, the freedom of movement of persons" (paragraph 34) and its objections to the pursuit of internal free trade without a common customs tariff (paragraph 38). In both respects, the Report implies strong criticism of both the British Government's proposal for a European Free Trade Area and the recent agreement to set up a European Free Trade Association; but its arguments are not entirely convincing. The proposition that freedom for goods and freedom for factors must go together rests simply on an assertion that Governments will not concede free entry of goods to the home goods market without demanding free entry for their

citizens to the foreign labour and capital markets, an association of ideas which can hardly be said to be an accepted convention of international economic negotiation as yet. Moreover (as again is evidenced in the history of both federations and unitary countries) complete freedom of internal economic movement of goods and factors is not sufficient to ensure satisfaction of all member regions: rather, regional income differentials persist and may even be exacerbated by the migration of the young, the skilled, and the enterprising.

Similarly, the objections to the proposal for free trade by itself, of which the foregoing is one, seem rather superficial. The revenue problem could obviously be dealt with by the same device as that to which the Commission resorts to make the customs union financially viable, namely consumption duties, non-discriminatory as between alternative sources of production, super-imposed on the discriminatory tariff system. The problem of trade diversion could presumably be dealt with by a certificate of origin procedure of the type proposed for the European Free Trade Association; this objection is particularly feeble in view of the Commission's explicit recognition (paragraph 180) that freedom of movement of goods in the customs union will be permanently limited by the fact that both duty-free and dutiable goods must enter by sea. The Commission's third point, that a free trade area does not ensure that industries establishing themselves in the area may obtain protection, "if necessary," against external competition could be reversed, in the argument that a free trade area without a centrally-fixed common tariff would put pressure on such industries to maintain their competitive efficiency, and would provide members with an escape clause against paying too high a price to industries situated in each other's territory. In this section, it seems the Commission is simply going outside its terms of reference to provide further plausible justifications for a course of action already decided on other grounds.

II

In devising the common tariff, the Commission has been guided almost exclusively by the need to obtain revenue adequate to governmental needs; and in calculating the rates of duty, it has proceeded mainly by striking an average of the existing rates. The revenue problem is urgent, and responsibility for devising a tariff policy conducive to economic growth in the region clearly must lie with the Federal Government and should not be decided by the Commission. Nevertheless it is rather disturbing that the Commission shows so little awareness either of the changes in the protection afforded to particular local industries consequent on the adoption of a customs union, *irrespective of any change in the tariff rate,* or of the effects on customs revenue of the economic changes which the customs union will bring about – and must bring about if it is to result in the economic benefits it is intended to achieve.

According to the description of its method given in Chapter 4, the Commission considered the question of tariff protection explicitly only in three special contexts: goods coming under the consumption duties scheme, where the common tariff was limited to the protective level to leave scope for revenue-raising to the Units; goods specifically protected, where the protective element was excluded from the common tariff but allowed to continue during the transition; and the "modernisation" of the tariff structure, where the Commission did "something to lighten the burden on materials and tools and equipment for industry and upon such other things as will be needed by an expanding economy". Only in the last case is there any recognition that the Commission's proposals involve a change in tariff policy, and even that is discussed in vague general terms of "better balance" and "modernisation" of the tariff. Everywhere else it is implied that the Commission's decisions are entirely concerned with, and have consequences only for, the aggregate revenue and its distribution.

This is simply not true; the implication that all important decisions about protection are being left to later Federal policy-making is merely a reflection of economic naiveté on the part of the Commission. In the first place, while it may seem self-evident to the practical mind that tariffs can be divided into revenue and protective duties according to the intentions of the legislator or the presence of protected production of the dutiable article, such a distinction cannot be supported in logic. All tariffs, as taxes on the product of foreign labour, tend to divert demand towards products of domestic labour, and so are protective in effect, though if the rates are low and the taxed articles not closely substitutable for domestic products the protective effect is small. It follows that any change in any rate has some effect on the degree of protection given to domestic production.

In the West Indian context the fact that the economic structure is not highly industrialized and diversified probably justifies proceeding on the basis of a distinction between (a majority of) revenue and (a minority of) protective duties, in disregard of this theoretical point. Much more important is the fact that formation of a customs union increases the degree of protection afforded to local industry, irrespective of changes in tariff rates. If, for example, the rate of duty on a particular article were the same in all ten islands before the customs union, so that on the Commission's principles the customs union rate would be the same, existing producers of the article (or of close substitutes for it) located anywhere in the region would experience an increase in protection, since they would now have a discriminatory advantage in the other islands' markets as well as in their own[a]. If tariffs were initially unequal, and the existing producers happened to be located in a relatively low-tariff Unit, they would get a double gain in protection, whereas if they happened to be located in a relatively high-tariff Unit, they would stand to lose protection. Moreover, if there are industries subject to economies of scale (as the Com-

[a]Protected producers in some islands, of course, might succumb to competition from protected producers in others; but this does not alter the main point.

mission assumed in its arguments of Chapter 1) a tariff rate which with separate small markets was a revenue tariff may with customs union become a protective tariff, that is, enable the establishment of domestic production.

This point, incidentally, brings into question the appropriateness of the principle followed by the Commission — and often applied as a rule or standard in drafting customs union agreements or assessing their effects — of arriving at the common tariff rate by taking some sort of weighted average of member rates. There is some justification for this procedure on equity grounds: a tariff rate incorporates a view as to how much it is fair to tax consumers of the article in question, either directly in import duty or indirectly through the higher price of domestically-produced substitutes for imports, to finance social purposes achieved either directly by government expenditure of tariff proceeds or indirectly by subsidization of domestic production through protection; consequently the averaging of Unit tariff rates in some sense gives an average view as to the fair level of taxation of consumers of different goods. But there is no reason for assuming that such averaging will leave the degree of protection of domestic production in the area as a whole unchanged. There is indeed a presumption that the degree of protection will be increased; this is one of the reasons why the formation of customs unions is advocated.

One further point about the protective effects of the Commission's proposals is worth mentioning: both of the directions in which the Commission has "modernised" the structure of the tariff increase its protectiveness. Reduction of duty on materials, tools and equipment of industry — inputs in the productive process — increases the protection afforded to industry by the tariffs on final products. Reduction of duty on basic foodstuffs compensated by higher duties on "things of less necessity which an increasingly prosperous public is able to consume in larger quantities, or to pay higher prices for" means that, as the public becomes more prosperous, the tariff will become more protective than it otherwise would have done.

The changes in protection for local industries inherent in the formation of a customs union are not only significant in themselves. They will have effects on the amount of customs revenue collected by the union, through the effects on the pattern of trade between the union and the outside world of the combination of the adoption of internal free trade and the alteration of tariff rates to the common scale. What these effects will be is not entirely predictable on theoretical grounds, though there is good reason for expecting that the loss of revenue on trade between members will be augmented by a loss of revenue on imports from the outside world due to substitution of internally-produced for foreign goods. If a free trade area alone were established, Unit tariff rates on imports from non-members being unchanged, substitution of other-member for foreign products would definitely tend to this result; the only qualification would be the possibility that improved internal division of labour would so increase income, and consequently the demand for imports from outside the region, as to offset the substitution effect. But in

a customs union there is also the effect of changes in tariff rates to consider. If a tariff rate is altered, the revenue may either increase or decrease, depending on the elasticity of demand for the commodity and the initial tariff rate;[a] the revenue will change in the same direction as the rate (and less than proportionately to the change in the rate) unless demand is very elastic or the tariff rate very high, conditions which can be regarded as exceptional and, for the West Indies, unlikely.

Putting the two parts of the argument together, one might expect that the adjustment to the common tariff rates would tend to increase revenue on imports from outside the union in the Units where rates are raised, and *vice versa*, without altering aggregate revenue from imports from foreign sources very substantially; but that the adoption of internal free trade would tend to reduce such revenue in all Units, so that on balance aggregate tariff revenue from extra-regional trade would fall, and even Units whose tariff rates had been raised might suffer a loss of such revenue.

None of these possible effects on the revenue are taken account of in the Commission's calculation of the effects of its tariff proposals. Adequate assessment of them would of course require an econometric or at least applied-economic exercise far beyond the Commission's (and perhaps anyone else's) resources; but they should have received at least some mention. The Commission's statement that "in general we did not consider that our proposed rates would cause important changes in consumption" (paragraph 132) is an inadequate recognition of the complications, which are associated also with changes in source of supply; and its use of 1955 trade as a basis for calculation, if taken seriously, implies a rigidity of trade patterns and insentivity to price changes in conflict with its earlier views on the benefical effect of customs union on national income.

III

The consumption rule for the distribution of surplus customs revenue among the Units is specified in the Constitution and is therefore no concern of the Croft Commission. I should nevertheless like to comment on it,[b] since its apparent equity breaks down, under closer theoretical scrutiny, to the extent that the tariff fosters replacement of extra-regional by intra-regional

[a]Let t be the initial tariff rate, taken as a proportion of the foreign price of imports p (assumed constant), and q be the initial quantity of imports: then tariff revenue is

$R = tpq$. Differentiating,

$$\frac{dR}{dt} = pq\left(1 - \frac{t}{1+t}\varepsilon\right) \quad \text{where}$$

$$\varepsilon = -\frac{(1+t)R}{q}\,\frac{dq}{d\,(1+t)p}$$

is the elasticity of domestic demand for imports: $\frac{dR}{dt}$ will be positive unless $\frac{t}{1+t}\varepsilon$ is greater than unity, a condition whose general meaning is explained in the text.

[b]The following comments, and the argument at one point in the preceding section, owe much to Professor J. H. Young's *Canadian Commercial Policy* (2).

imports. When purchasers pay a higher price for protected products than that for which their wants could be satisfied in the world market, they are in effect paying a concealed tax, which is being used to subsidize the protected industry. The tariff (that is, in so far as it has protective effects) entails an extra-budgetary system of public finance in addition to its role in the public fiscal system. In principle, it would seem equitable to reckon the taxation of the consumer which does not pass through the public accounts, as well as that which appears as customs revenue, in assessing the contribution of a Unit to the yield of the tax for purposes of sharing out the surplus. What this would require in practice would be the crediting to each Unit of the excess cost of its imports from other Units in the region, in addition to the tariff receipts on its imports from outside the customs union. (The excess cost of import-substitutes produced within the Unit is an internal transfer, and should not enter the calculation.)

IV

The consumption duty, a tax which is levied without discrimination between domestic and foreign sources of supply, is the obvious and sensible answer to the problem of reconciling the tariff obligations of customs union with fiscal needs which must be satisfied largely by indirect rather than direct taxation and which require some flexibility. That being so, it is difficult to accept the Commission's recommendation that the power to levy such duties should be limited to the British triumvirate of bounteous revenue-producers, alcoholic liquors, tobacco, and petroleum products.

In putting the case for this limitation, the Commission seems to me to have confused two quite different propositions — that Units should be given general authority to levy consumption duties if they find this desirable, and that consumption duties should be levied indiscriminately on goods in general — and to have used the arguments against the latter (which would surely occur to Unit tax officials as readily as they do to the Commission) quite illegitimately as reasons for opposing the former. In addition, the Commission seems to appeal to short-run and long-run considerations rather selectively, in advancing arguments for its proposal.

There seems to me no reason for assuming, as the Commission does in the latter half of paragraph 119, that possession of the power to levy consumption duty would lead Unit tax authorities immediately to set about raising the cost of food, choking off local manufacturing, and assuming a burden of unremunerative administrative work. Nor does it seem utterly impossible that the growth of the region will ever go far enough for local products, which it would now be undesirable or unprofitable to tax, to become a suitable subject of taxation, as is implied by the Commission's argument (in the same paragraph) that everything suitable for taxation is already excisable. There seems no reason for confining consideration of possible future developments to expression of the Commission's fear that the Units would

become too firmly entrenched in the field of import taxation (paragraph 108); and so far as that fear is concerned, if there is a serious danger that Units will in time be so pressed for revenue that they will be forced to make excessive use of consumption duties, the problem should be discussed in the wider context of the division of fiscal powers between Centre and Units.

The Commission does have a valid argument in the possibility that the consumption duty could be abused by turning it into a means of giving hidden protection to local products; but it should not be impossible to devise a complaint procedure if the generalized consumption duty were thought desirable on other grounds. The Commission's argument that differences between Unit consumption duty rates would impede the free circulation of goods inside the Union is one whose weight can only be assessed in the light of detailed knowledge of intra-regional trade.

Apart from specifically customs-union issues, the proposal to limit consumption duty to the three named classes of product raises the broader issue of the desirability and wisdom of basing public revenue so heavily on these articles – a dependence which the limitation will inevitably encourage. Not only are there strong economic welfare arguments against wide differences in indirect tax rates, but there is also a possibility that public opinion may in time demand legislation to limit the use of these particular articles, in the interests of improved public health (I take the liberty here of classifying death and injury in automobile accidents as a public health problem). It is a paradox that, in British countries, so much public revenue depends on the public's indulgence in injurious consumption habits.

V

I have already referred to the dangers of the Commission's recommendation for continuation of existing protection by import quotas and high tariffs during the transition period of five years or more. It would seem to me wiser to extend the escalator principle suggested for the revenue problem to the protection problem as well. Industries would be given much more incentive to buckle down to the problem of adjustment to the customs union if they knew that their protection would dwindle automatically in the transition period, rather than remain at the same level pending Federal action; and the Federation would have a much stronger bargaining position if special protective measures were an exceptional concession it could give to an industry, rather than a whittling away of a recognized right to protection. Delay, with an escalator system of diminishing protection would work to the advantage of the Federation rather than of the particular industry, so that rapid settlements of differences would be encouraged; and the end result might be expected to be closer to the ideal of economic union.

VI

In this section I comment briefly on a number of scattered points.

(i) Tariff revenue as a percentage of the value of imports, used as "a simple index of the average height of the tariff" in paragraph 56, is a

notoriously unreliable measure for many well-known reasons, one of which intrudes into that paragraph. For similar reasons, of which the most important is the protective effect of the tariff, the burden of the tariff on the citizenry is not satisfactorily measured by the amount of duty paid per head.

(ii) The Commission makes rather heavy weather (paragraphs 86 and 151) of the fact that falling tax receipts for the government are falling tax payments for the citizens.

(iii) The Commission is right to oppose the elimination of export duty on intra-regional exports (paragraph 205) but the strong reason for doing so is not the administrative one but the fact that it would worsen division of labour with the rest of the world by promoting a form of trade diversion. If export duties have to be retained for revenue reasons, there is a case for turning them into production taxes, payable on home-market sales as well as exports (a parallel to the consumption duty scheme).

(iv) The Commission's statements about the division of the duties on goods liable to consumption duty (paragraphs 105 and 120) are rather confusing. The charging of duty on imported but not on domestically produced goods is necessary for protection, but the revenue received is not required in any sense to enable the Federal government to provide the protection – in fact, revenue is received to the extent that protection is *not* given – and there is no reason why the share-out should be governed by the margin of protection.

(v) I cannot understand the Commission's argument in paragraph 159, that two similar industries one of which enjoys special protection in its home market cannot co-exist in a customs union, unless the Commission is assuming some form of dumping by the protected industry, financed by high internal prices. If the industry needs the special protection in its own market, it will be unable to compete in the customs union area; if it is able to compete successfully outside, it should be able to compete successfully in its own market on the same terms, so that the other industry would gain little from the elimination of the special protection. This is not to say, of course, that special protection is not inconsistent with the wider aims of customs union.

(vi) It would be advisable to make one of the members of the Industrial Commission proposed in paragraph 166 an economist, or failing that to provide the Commission with economic advisers.

I would not like to end this commentary, which has concentrated on points of disagreement with the Commission, without paying tribute to the immense amount of labour and the careful consideration of many detailed and difficult issues which have gone into the Croft Report. West Indian customs union is, one hopes, the foundation of a process of accelerated economic development; the Commission has done its best to lay that foundation securely.

References

1. JOHNSON, H. G. "The Gains from Freer Trade with Europe: An Estimate", *Manchester Srhool*, Vol. XXVI. No. 3.
2. YOUNG, J. H. *Canadian Commercial Policy*, Royal Commission on Canada's Economic Prospects, 1957.

THE ECONOMICS OF WEST INDIES CUSTOMS UNION[a]

By

William G. Demas

So far there has been very little discussion of some of the basic issues of economic principle involved in the establishment of West Indies customs union and the movement towards the economic integration of the area. The most important document on this subject which has so far appeared, *viz.* the Croft Report, does not consider at very great length many of these basic issues of economic principle. To say this is not to condemn the Report. For the most part it contains a set of well-balanced and carefully thought out proposals for a practical scheme of customs union for the West Indies. The problems to which the Commissioners address themselves are perhaps no less complex and intellectually challenging than some of the theoretical economic issues involved, and, in any case, it was not within their terms of reference to consider the theoretical issues. In this article we attempt to deal very broadly with some of what seem to us to be the more fundamental economic issues involved in assessing the desirability and the effects of West Indies customs union and, to a lesser extent, of West Indies economic integration.

At the outset we would like to make the somewhat obvious point that without the development of cheap and regular inter-island air and sea transport, customs union can have no meaning. In what follows we assume the development of such cheap and regular intra-West Indian transport.

Our article will be divided into two main parts. In the first part we shall analyse in exactly what ways benefits and losses are likely to arise for the West Indies considered *as a whole* from customs union. Next we shall consider the likely effects on the *individual territories,* see whether there are any conflicts of interest between different territories, and, if so, how these conflicts can be reconciled. In both parts, we shall be concerned with seeing whether the classical and neo-classical analysis developed to treat these problems in advanced countries can be applied to the West Indian situaton.

II

Recently there have been important developments in the theory of customs union in the advanced countries of the U.S.A. and the U.K., and in this field

[a]It seems almost unnecessary to stress that the views expressed in this article are entirely those of the writer and not those of the Government of Trinidad and Tobago.

I am indebted to Mr. C. Joseph of the Trinidad Ministry of Finance for constructive comments on a first draft of this article.

some important new tools have been added to the traditional armoury of classical international trade theory. The criteria developed with the aid of these old and new tools for evaluating whether a project for customs union is likely to increase output and economic welfare in the new economic area *considered as a whole* can be reduced to six:

(a) whether the customs union will create trade or divert trade (the production effect);

(b) whether it will lead to more satisfactory or less satisfactory patterns of consumption (the consumption effect);

(c) whether it will lead to economies of scale;

(d) whether it will affect the volume and direction of investment;

(e) whether it will improve efficiency through creating more competition; and

(f) whether the union will improve or worsen the terms or trade of the area with the outside world.

Trade Creation and Diversion

The "production effect" involves either an increase or a decrease in the efficiency with which resources are allocated within the area covered by the union. These production effects are of two kinds – trade-creating effects and trade-diverting effects *(10)*.

Trade creation simply means the shifting of production of a commodity from one point within the area to another point within the area where it is produced at lower real unit costs. Commodity X may cost $30.00 per unit to produce in an island – let us call it Antillea – and $20.00 in another island – let us call it Caribbea. However, an Antillean tariff of, say $11.00 per unit, prevents the Antillean consumer from importing the cheaper Caribbean product. If, as a result of customs union between Caribbea and Antillea, tariffs are removed on trade between the two islands, then (assuming, as we do throughout, zero transport costs) Antillea may well begin to import the cheaper Caribbean product, and production of the commodity will shift from Antillea to Caribbea. This is a good thing for the customs union considered as a whole, for it means that the resources of the area are being used more economically. Whether the resources thereby displaced from employment in Antillea could find new employment is another question which will be considered later in the second part of this article.

It is important to note, however, that, while trade creation means by definition lower-cost production, it does not necessarily lead to lower prices in the importing member country or countries. Such a reduction in price will occur only if supply in the member country which gains the new export trade to the other member country or countries is sufficiently elastic, so that it can supply the whole demand of the importing member country or countries. If the importing member country still meets part of its own demand locally, the market price of the commodity will remain unchanged at the level of its own higher costs of production and will not fall to the level of

the lower costs of production of the exporting member country. In this case producers in the exporting member country will enjoy abnormal profits. The same thing will also happen if the importing member country or countries give up producing the commodity but continue to import part of their requirements from the outside world. In this case the price of the commodity will also not fall but will be at the level of the cost of production of the country outside the union *plus* the external tariff. We must therefore conclude that the beneficial effects of trade creation will be fully realized only where demand within the customs union area can be fully met from cheaper sources within the area.

Consider further a case in which the island of Caribbea produces a commodity Y at a unit cost of $30.00. Antillea does not produce the product, but imports it from the U.K. where it costs $20.00 per unit to produce. Antillea has a non-discriminatory tariff on both the U.K. and Caribbean product amounting to $15.00 per unit. Antillea, therefore, imports the cheaper U.K. product at a price of $35.00 ($20.00 + $15.00). The price of the Caribbean product to the Antillean consumer would be $45.00 ($30.00 + $15.00). Suppose, with customs union established between Caribbea and Antillea, the Caribbean product comes to cost $30.000 to the Antillean consumer and the U.K. commodity remains at $35.00 Then, if the Antillean consumer switches his purchases from the U.K. to Caribbea, there is trade diversion. From the point of view of the world economy, there is no new trade created, but existing trade is diverted away from the cheaper U.K. good to the dearer Caribbean good. There is, therefore, a loss in economic welfare to the area as a whole (and incidentally to the world).

In the example just given, we assumed that the existing tariff against countries outside the customs union remained unchanged. It is however obvious that, to the extent that the level of protection against third countries is increased, the possibilities of trade diversion become greater. This is why liberal economists and international organizations such as the General Agreement on Tariffs and Trade are concerned that in proposals for customs union the level of the new external tariff should not be higher than the average of the existing tariffs. It is also obvious that the possibilities of trade diversion are greater, the larger the customs union area.

Orthodox economic analysis therefore always condemns trade diversion. But this analysis, we suggest, is not wholly applicable to the West Indian situation; for, like the whole of classical and neo-classical international trade theory, Viner's analysis assumes a situation of full employment. Where, however, there are unlimited supplies of labour (5) and consequently considerable unemployment, underemployment and low-productivity employment as in the West Indies, the position is somewhat different. In the above example of trade diversion in Caribbea's favour, the United Kingdom certainly loses, but does the West Indies really lose by having this so-called "uneconomic" pattern of production? Where the alternative for the Caribbean worker who gets new or higher-productivity employment by this act of trade diversion

is unemployment, underemployment or low-productivity employment, and where foreign capital is induced to flow into Caribbea because of the prospects of profitable production arising from trade diversion, there will be some clear net addition to the social product. In underdeveloped countries such as the West Indies, it cannot be too often emphasized that while the money cost of the new trade-diverting production may be quite high, its real social opportunity cost may be very low, or even possibly zero[a]. What is therefore required in the case of countries with surplus labour is an economic calculus which would set against the loss in economic efficiency arising from trade diversion the increase in the net social product arising from the creation of new and/or more productive employment.

It will be immediately seen that this argument is closely analogous to the case for protection of industry in areas where the opportunity cost of labour is zero or lower than the real wage of labour. Just as the traditional theory of international trade has in recent years been modified to justify protection in these circumstances, so must we now modify the modern theory of customs union as developed by Viner and others to take account of this fact.

Moreover, there are other arguments such as the infant industry argument, which reinforce our point; for it is not unfair to claim that, according to the infant industry argument, the most important method of successful industrialization is to get started with industry. The passage of time will bring about increasing returns as real unit costs fall through workers and management becoming more proficient and through the development of what Meade has so felicitously called "industrial atmosphere" *(7)*.

What is in effect being suggested here is that an initial act of trade diversion may in the circumstances specified above not only immediately be a good thing for the economic welfare of a customs union area, but that also eventually trade diversion may even lead to trade creation.

So much for trade creation and trade diversion.

Consumption Effects

We now come to the second criterion for evaluating customs union. This is what Meade has called the "consumption effect" *(8)*. This effect arises as a result of increased intra-area trade, whether this increase is of a trade-

[a]The opportunity-cost of capital as well as labour may be zero. If all the capital comes from outside, then the opportunity-cost to the West Indian economy is zero, since the capital is not pulled away from another use in the West Indies. It is only if foreign investment in industry is at the expense of such investment in housing, tourism or agriculture in the islands that the capital will have a positive opportunity-cost, represented by its marginal social productivity in these other uses. But this is very unlikely; it is more likely that an amount of capital over and above what would otherwise have been invested in all other activities within the area would come in as a result of customs union. On the other hand, as far as the economy from which the capital comes is concerned, the capital has an opportunity-cost; for, if there is full employment, the capital could have been profitably used at home. Against the investment income returning to residents of the country and the probable effect of the foreign investment in cheapening imports of food and raw materials, must be set the social marginal productivity of the capital if it had been invested at home. In advanced countries, it is only when there is Keynesian unemployment of both labour and capital, and in the very nature of the case additional domestic investment can have no profitable opening, that foreign investment can have no opportunity-cost.

creating or a trade-diverting nature. If demand-functions within a member country A and supply-functions within another member country B, are both elastic so that more imports come into country A from the member country B as the result of a fall in price following the removal of a tariff on intra-area trade, there will be a shift of expenditure from local products to imports from a country inside the customs union (the trade-creating case) or from imports from a third country to a country inside the union (the trade-diverting case). Such shifts of expenditure from a less preferred to a more preferred pattern of consumption result in an increase in economic welfare in the importing country, since a given total of money expenditure yields more utility or satisfaction[a]. There will be an equal gain in welfare in the case of trade diversion and trade creation.

It is important to note that the possibility of these beneficial consumption effects being realized depends on the assumption that initially, before the removal of the tariff, marginal values are everywhere equal to marginal costs. Where this is not so the relevance of this type of analysis becomes very doubtful. In the case of the West Indies it would be best to disregard these effects completely.

Economies of Scale

There can be no doubt that the most important way in which customs union will help the industrialization of the West Indies is through the creation of opportunities for achieving economies of scale. It is perfectly true that the importance of economic integration in achieving economies of scale is sometimes over-rated. For example, it has been pointed out *(2, 3)* that both in Canada and the U.S.A. manufacturing output per head was higher than in the U.K. even before 1870, when domestic markets in these two countries were almost certainly smaller than in the U.K. However, the West Indian island economies are so tiny that, in most fields of industry using modern technology, a modern firm whose market was limited to the West Indies would be of less than optimum size. Under these conditions, the creation of wider markets must lead to lower unit costs of production. This point is amply confirmed by the interest shown by overseas entrepreneurs who are considering investing in a territory as to how soon customs union is likely to be established.

Effects of Customs Union on Investment

The effect of customs union on the volume and direction of investment

[a]The pattern of consumption is "more preferred" because before customs union the initial price of the commodity to the domestic consumer exceeded its marginal cost of production by the amount of the tariff; and the purchase of a marginal unit of the commodity therefore represented a great amount of satisfaction to the domestic purchaser — a satisfaction greater than that obtained from purchases of other domestic products where (because there were no tariffs) price was equal to marginal cost. Maximum consumer satisfaction is achieved when all divergences between the marginal values (i.e. prices) and the marginal costs of all goods consumed are eliminated, so that marginal value (i.e. price) is everywhere equal to marginal cost.

in the West Indies is closely related to the question of economies of scale. For the wide market will encourage more investment in private industry – especally investment of foreign capital. Moreover, if the overall level of the tariff against third countries is substantially raised, and a wide range of hitherto imported products is shut out, a tendency may well be created for overseas suppliers to establish branch firms within the new tariff area. We must note here that economies of scale will exert their beneficial effects much more through inducing investment in new industries than in encouraging existing firms to expand.

Effects on Competition

It is clear that the possibility of the occurrence of trade creation depends on the assumption that there is free competition between industries located in different countries of the customs union. But for competition to be fully beneficial more is required than weak and inefficient producers going to the the wall and being displaced by strong and efficient producers. What is also required is incentive for weak producers to become less inefficient and strong producers to become even more efficient, so that throughout the customs union area in the whole range of tradeable products there is greater efficiency. In this connection, one thing seems certain. This is that, broadly speaking, in spite of the qualifications which we shall introduce below, firms in any highly protected economy which is opened up to more competition will be thereby in some degree stimulated to a greater consciousness of costs and hence to more efficiency.

But competition can be limited by agreements between producers in different member countries, and there can be no presumption that the elimination of trade barriers will lead to completely free competition. It is significant that, in spite of the vast free market of the U.S.A., one of the most important fields of action of the Federal Government is the framing and execution of anti-trust legislation.

At the same time, it would be equally wrong to assume that attempts by producers in the various member countries of a newly created customs union to avoid free competition can be economically undesirable in all respects. Although the European Coal and Steel Community can in many respects be said to be a "supra-national cartel," it is a "cartel" which has led to more specialization between the member countries and to greater intra-community trade in coal and steel. We can also see a similar process already at work in the new European Economic Community, where firms producing the same commodity or group of commodities in different countries of the Six are getting together to decide on which countries shall specialize in which components and special types of the product. There is equally no doubt that in this case greater specialization and a more economic pattern of production will result, and lead to increased mutual trade. This is what in the final analysis really matters, and not just the realization of the text-book model of free atomistic competition.[a]

[a]However, the existence of competition would ensure that these reductions in cost through more specialization would be fully passed on to consumers.

How far are the above considerations relating to competition likely to apply to the West Indies customs union? First, as we have just pointed out, producers in any highly protectionist territory are bound to be stimulated in some measure into greater awareness of the need for efficiency. Second, and more important, the Federal market is so small that a single efficient firm using modern technology can easily satisfy the demands of the whole West Indian market. Alternatively, there may be room for only two or three producers.

It is therefore likely that many of the new firms established for the first time in the West Indies will be monopolistic or oligopolistic so far as the West Indian market is concerned. But in respect of new industries the monopoly position of producers need not give grounds for anxiety. For, in the first place, even the entire West Indian market may be too small for optimum size to be attained, and export markets outside the Federation may have to be sought, and the firm will certainly have to look after its efficiency of production if it is to capture and maintain its position in the world market. It would, however, remain necessary for appropriate Governmental authorities to ensure that the domestic consumer is not "exploited" too much by being charged a price much higher than the export price. In the second place, it must be remembered that it is the economies of scale achieved through the creation of a West Indian rather than a territorial market which may have induced the monopoly to establish itself in the first place. In such a situation the (opportunity) cost of the monopoly to the West Indian economy may be zero.

But all this applies to the new industries, the establishment of which has been induced by the lure of the bigger market. What about existing industries? It is very difficult to speak with certainty on this point; however, one may hazard the judgment that, when there is a clear difference in costs in different territories there is likely to be competition leading to both trade creation and a general increase in the efficiency of industry in the higher-cost country. Where, however, the difference in costs is not appreciable and enterpreneurs suffer from inertia, competition may not be very vigorous. However, it may happen that, to the extent that existing firms in different territories are branches or subsidiaries of different overseas companies, there will probably be more vigorous competition.

Effect on Terms of Trade

Finally, customs union may improve the economic welfare of the group of countries forming the union and at the same time cause a corresponding loss of real income to third countries. This could occur through the mechanism of an improvement in the net barter terms of trade of the group relatively to the outside world. The working of this mechanism can be easily grasped in common-sense terms. With a tariff against third countries and free trade between the countries forming the customs union, the area is likely to become less dependent on imports from third countries, for trade between

members will increase through both the processes of trade creation and trade diversion. The reduced demand may therefore lead to a lowering of import prices. At the same time, exports to countries outside the area may be reduced and this, too, could lead to an increase in export prices. Finally, it should be noted that such a favourable change in the terms of trade may occur even if the new tariff remains the same as the average of the tariffs prevailing before the union came into existence. If, however, the degree of external protection against third countries increases, the improvement in the terms of trade may be *pro tanto* greater because both imports from and exports to third countries will be correspondingly reduced.

How does this analysis apply to the West Indies? Not very well, it would appear. And this for two reasons. First, the area is too small a part of the world market for any reduced demand for imports on its part to lead to a lowering of prices. Similarly, there are very few existing products exported outside the area, a greater volume of which could be absorbed within the area; and, in the unlikely event of more of such products being so absorbed, the area is not in a sufficiently monopolistic position for a reduced supply to world markets to lead to a rise in prices.[a] Moreover, if the development of more industrial production within the area and sound internal economic policies stimulate the growth of national income, this would lead to more imports from the outside world, especially of capital goods.

Historically, economic growth has always led to more imports, although not necessarily a rise in the import function. And such an increased demand for imports would be a factor making for a deterioration rather than an improvement in the terms of trade. (In any case, it is unlikely that a deterioration would occur for the reason we have just given, *viz.* that the area is too small a part of the world market for any impact to be made on import prices).

Summary of Effects on Area as a Whole

So much for the application to the West Indies of the now orthodox analysis of the effect of customs union on the real output and real income of the customs union area considered as a whole. If we attempt to summarize our discussion so far, two principal points emerge. First, the benefits envisaged by the orthodox analysis apply to the West Indies mainly in the case of economies of scale. Second, trade diversion may not be a bad thing for the West Indies where it brings into employment resources of labour which would otherwise be either unemployed, underemployed or employed in low-

[a]As far as relations with the outside world are concerned, the main benefit of customs union for the West Indies will be to improve the bargaining power of the area, so that it will get better terms for its products abroad and for loans raised abroad. As far as products are concerned, these benefits will apply to products the prices of which are not formed in free competitive non-preferential markets but depend on political bargaining in metropolitan markets, e.g., sugar. They will also apply in international tariff bargaining, as in the G.A.T.T. Where markets are fully competitive and no questions of trade preference or tariff negotiations arise, export prices could not be influenced.

productivity occupations, and resources of capital which otherwise could not be available for investment within the area.

III.

Importance of Customs Union to West Indian Development

We are now in a position to refute a very common misconception about the likely economic gains of customs union for the West Indies as a whole, and we shall attempt to do so before we go on to the second part of our article.

This misconception is that since the economies of the West Indies are more "competitive" than "complementary", there can be little gain from customs union. When it is said that the economies are "competitive" and not "complementary", all that is presumably meant is that at present most of the trade of the area is with the outside world and largely consists of the same commodities in all the islands – sugar, bananas, coffee, cocoa, citrus, etc. But this argument is completely beside the point. The likely benefits of customs union relate much more to trade in industrial commodities and local foodstuffs than in the traditional export staples. Customs union is meant to facilitate the industrialization of the area by providing wider markets than exist in each individual territory. There is also, to a lesser degree, the possibility of more island specialization in market garden products, poultry and livestock products for trade with other islands which concentrate more on industrial production and traditional export staples.

Further, when one speaks of more inter-island trade in industrial products, one can never hope for industrialization based on autarchy. This is obviously absurd. The West Indies market is far too small (both in purchasing power and numbers of population) to be able to support the industrialization of the area. If there is going to be enough industrialization, (in the sense of enough to solve the unemployment and underemployment problem), it is obvious that either export outlets outside the Federal area must be sought or a larger economic union achieved. Most small countries which produce manufactured goods have to seek export outlets beyond their national frontiers; examples are Norway and Sweden.

Moreover, apart from the limited scope of the West Indian market, there is another and perhaps more fundamental economic reason for the development of manufactured exports from the region. The area is small and overpopulated relatively to its land and other natural resources. To feed and employ its surplus population, it must to a large extent import food and raw materials from abroad and send abroad manufactured exports in exchange for these products. In fact, the labour force of the islands, instead of applying its labour directly to the processing of local materials and the winning of local food, must process the materials and consume the food produced by the natural resources of other countries. This, as Professor Lewis

has so often emphasized, is the classic solution of the economic problem of small over-populated countries, e.g. Japan, Hong Kong, Puerto Rico and even the United Kingdom and Belgium. When we say that food and raw materials must be imported, we do not mean that every effort must not be made to increase the yield per acre of locally-grown food and to utilize, to the fullest extent possible, local materials. One, however, has to recognize the fact that, after every effort has been made, a reasonable standard of living can only be obtained by buying food and raw materials from abroad with the proceeds of manufactured exports.

These two reasons for developing an export trade in manufactures—*viz.* the limited size of the West Indian market and the ratio of population relatively to resources – are quite separate analytically, but of course in practice they work together and reinforce each other. For example, Sweden is not particularly poor in natural resources relatively to her population, but she is a small country and therefore has to export. On the other hand, India is not small, but, the ratio of her population to her land and (to a lesser extent) other natural resources should make it economic for her to develop exports of manufactures.

Therefore, the West Indies, unless it becomes part of a larger economic and perhaps political group, can never be an inward-looking economic bloc such as the United States of America, Soviet Russia or France (before she joined the European Economic Community). She has to continue the export of her traditional staples and continue to seek the best possible terms for them in overseas markets, while at the same time developing new manufactured exports. There is also some possibility of providing more food locally through higher yields per acre by more intensive and scientific cultivation of local foodstuffs and some more scope for inter-island trade in these foodstuffs.

Customs union will help in the process of industrialization through widening the local market and so providing the initial basis of operation for manufactured exports. It is in the light of this consideration that the somewhat limited, although strategic, role of customs union becomes apparent. It is essentially a first step towards substantial industrialization. The other step (and perhaps the more difficult) is to capture export markets outside the Federation. The development of industries within the Federal market, however, requires protection against the products of third countries. To this extent, therefore, West Indian commercial policy must be inward-looking. Thus, so far as its commercial policies are concerned, one may claim with good reason that the West Indies suffers from the "complex fate" of having to be both inward-looking and outward-looking at the same time (although on balance the outward-looking side should predominate).

IV.

Customs Union and the Cost of Living

Our analysis should also enable us to discuss the effects of customs union on the cost of living in the Federation.

First of all, it has to be admitted that even where trade creation occurs and low-cost production from one member country displaces high-cost production in another member country, the price of the commodity in the latter country may not fall. As we have already seen, the price in the importing member country or countries will fall only if supply in the exporting member country is sufficient to meet the demand in the importing member country or countries.

The second point to note is that under West Indian conditions any increase in tariffs in an individual territory will almost certainly increase prices. As we have seen, the West Indian position in world trade is such that it is hardly possible to improve the terms of trade of the area by raising the level of tariffs.

Thirdly, assuming the new tariff is equal to the average or existing tariffs, this will involve an increase in the tariff level of the territories whose previous tariffs were lower than the average and so raise the cost of living in these territories. But to the extent that tariffs are removed on intra-West Indian trade this will mitigate the tendency of the cost of living to rise.[a]

Fourthly, if the overall level of tariffs remains the same as before, but the Croft proposals are followed and low or zero duties are placed on foodstuffs and other articles of mass consumption and high duties on luxuries, the cost of living for the masses in an individual territory may fall, even where the overall tariff level is raised.

Finally, if the cost of living rises, as a result of increased protection which will benefit mainly the larger territories with better prospects of industrialization, the small islands may lose from this; but against this loss must be set the increased opportunities for migration to the larger islands (see below). Another compensating factor will be the re-distributive effect of Federal public finance. For, where there is progressive taxation common to all territories and where Government expenditure benefits all territories alike, there is an automatic re-distribution of income both from richer to poorer individuals and from richer to poorer geographical areas. This process is independent of whether direct grants are given from the Central Government to other layers of Government and operates both in unitary and Federal states.

V.

Effects of Customs Union on Individual Territories

We come now to the second major part of our article. In any scheme of customs union and economic integration there are likely to be initially gains and

[a]Unless compensatory non-discriminatory consumption duties are levied.

losses for different parts of the new economic area. The most likely cause of gain or loss is trade creation. The member country which attracts production away from another member country clearly gains. But suppose the resources set free in the country losing production cannot find alternative employment? While classical international trade theory admits that there may be such initial dislocation, it invokes mechanisms which allegedly work to bring about a "harmonistic" outcome; these mechanisms are claimed to ensure that any initial disturbance to the economy of a participating country is likely to be quickly rectified through the operation of automatic or semi-automatic forces. Once more, therefore, we shall test the relevance of the classical mechanisms to the West Indian situation. Let us approach the problem in terms of the forces making for a deterioration of the trade balance of a country following economic union and the forces making for a restoration of the balance.

Suppose trade between Caribbea and Antillea is freed. What will be the effects for both islands? The classical answer is that Caribbea will specialize in those products in which it has a comparative advantage and that Antillea will likewise specialize in those products in which it has a comparative advantage. In effect, there will be two sets of trade creation which will balance each other. Suppose, however, that at given levels of wages, costs, prices and exchange rates, the range of profitable trade is such that Antillea sells more to Caribbea than Caribbea sells to Antillea. This is the case where trade creation necessitates the shift of factors of production to other employments, but where no such other employments can be found. Under these circumstances, a favourable trade balance and a high level of demand and employment will emerge for Antillea, and an unfavourable trade balance and unemployment will emerge for Caribbea, according to the classical reasoning.

The form which the classical adjustment process will take will depend on whether we assume fixed or fluctuating exchange rates. Assuming gold standard conditions and a fixed rate of exchange, monetary deflation will occur in Caribbea as a result of the loss of gold to Antillea; a reduction in the money rewards of Caribbea's factors of production is also likely both through the fall in the money supply and through the existence of unemployed labour. The opposite process will take place in Antillea. These opposite movements of prices and money incomes in the two islands will lead to an improvement in the trade balance of Caribbea and the worsening of the trade balance of Antillea until full equilibrium is restored. For at the lower level of prices in Caribbea, more Caribbean exports will be sold, and domestic goods will be substituted for imported goods; and conversely in Antillea.

Alternatively, we may analyse the process of adjustment in terms of modern income theory. Stated in these terms, this version would run as follows: the unfavourable balance of trade in Caribbea will mean a fall in export income and hence initially a fall in the level of money income of the same magnitude. By the operation of the foreign trade multiplier, the primary

fall in money income will cause a greater fall in money income and a corresponding decline in expenditure on imports, depending on the marginal propensity to import. (However, full equilibrium in the balance of trade will not be restored since, assuming a positive marginal propensity to save, savings will also fall, so that the fall in exports will be equal to the fall in imports *plus* the fall in savings).

Whether we state the equilibrating mechanism in terms of the price or income version, what happens is that, given the full constellation of relative physical productivities in Caribbea and Antillea, the range of trade which it is profitable to carry on will shift in Caribbea's favour and against Antillea.

Assuming free or flexible exchange rates, the classical mechanism will work in the following way: with the emergence of a trade deficit in Caribbea, the exchange rate of Caribbea will depreciate, and this will open up a wider range of goods in which Caribbea can compete with Antillea in money terms. At the same time the rise in import prices in local currency in Caribbea will discourage imports .

Both forms of the classical mechanism work, it will be noted, by reducing real income in Caribbea either through a fall in the money rewards of factors of production in terms of Caribbea's currency or through a worsening of the terms of trade of Caribbea following the depreciation of the Caribbea's currency.

These two forms of the classical mechanism merely have to be stated for us to see how inapplicable they are, not only to the modern world generally, but also to the specific case of the West Indies. In the modern world it is well known that money rewards to factors of production are extremely rigid and that unemployment in itself will not lead to a very big fall in the level of these money rewards. Moreover, we all know the modern antipathy against the severe monetary deflation which would be necessary to eliminate a structural imbalance of trade. The only realistic part of the classical mechanism, so far as the modern world is concerned, is the possibility of a depreciation of the rate of exchange.

As far as the West Indies is concerned, all the methods are ruled out. First, and most obvious, a depreciation of the exchange rate of one territory against the others is out of the question, since the customs union area forms a single political entity. Second, since institutional factors already impart a built-in deflationary bias to the West Indian banking and currency system *(1)* it is doubtful how much scope there is for further monetary deflation. Finally, because of trade union activity and modern conceptions of social welfare, it is inconceivable that wages would be reduced, even in spite of the present high level of unemployment and under-employment.[a]

[a]However, to the extent that Caribbea's disadvantage in competing with Antillea is due to the fact that Caribbea has initially a higher level of import duties than Antillea and therefore a higher level of money wages, material costs, capital goods and all costs of production generally, the creation of a customs union will in itself remove this disadvantage by equalising

For the restoration of equilibrum under West Indian conditions, it would be therefore necessary to depart from the strict classical assumptions of no movement of factors and to invoke the neo-classical assumption of such factor movements. If Caribbea retains stubbornly its unfavouraple trade balance and/or heavy unemployment, a solution would be large-scale migration of labour. There can be no doubt that under the circumstances a limited amount of emigration would be desirable, but if migration of labour had to go so far as to produce derelict communities with a high proportion of women and old people, this would hardly be a "harmonistic" solution.

The ideal solution as far as factor movements are concerned would be, of course, a combination of a limited outflow of labour and a substantial inflow of capital. But to assume that market forces would automatically bring about an inflow of capital would be wrong. Neo-classical economic theory holds that where there is much labour relatively to capital, the marginal productivity of capital is high. But this is not so. For, with capital accumulation and economic growth, diminishing returns to capital are more than offest by the existence of external economies, such as education, skills and training and the well-developed framework of social overhead capital. This general proposition is confirmed by the tendency in the real world for new capital to be attracted to areas where there is already prosperity. The rate of return on capital is high where there is growth and prosperity, and it is low where there is stagnation and depression *(6)*.

The conclusion is evident that market forces, apart possibly from the migration of labour, do not work automatically to produce a "harmonistic" solution as between different countries when economic union is established between them. Even the force of migration may not always be strong enough.

Historical and contemporary evidence of this generalization abounds. The experience of Southern Italy after the political and economic unification of Italy in 1860, the experience of Ireland after unification with Britain, the experience of the American South between 1800 and 1940 — all of these show that economic integration relying only on automatic market forces, so far from leading to a harmonistic outcome, usually leads to economic polarization. Perhaps the fundamental reason why free trade between areas at different initial levels of industrialization leads to economic polarization is the peculiar form which comparative advantage tends to take in manufacturing industry. The static classical assumption of a fixed pattern of comparative advantage applies in the modern world mainly to agriculture and mining, where there is great scope for the endowment of natural resources to lead to great differences between countries. However, in the case of manufacturing countries both the relative and absolute overall level of physical productivity are constantly changing in response to capital accumulation, tech-

external tariffs and so enable Caribbea to compete more effectively with Antillea. To this extent, therefore, Antillea should have no fear of customs union apart from the likely loss of revenue from import duties. We leave it to the reader to translate these illustrations in terms of mythical islands to the case of real West Indian islands.

nical progress and growing labour and management skills. This means that where two countries start off together on an open economic race, but with one country having a lead over the other in industrial development, it is very likely that the country starting behind will never be able to industrialize but will have to stick to its traditional agriculture. If this situation is to be avoided, a conscious effort of planned industrialization is necessary.

In the West Indies, however, it may be maintained that the matter is not quite as straightforward as this. It has to be recognized that there may be a certain conflict of desirable goals. Resources are extremely scarce in the area in relation to the need for economic development. In this situation it is arguable that the criterion for the investment of capital is its *immediate* short-run productivity. If this criterion is followed, then investment should be concentrated in the two or three larger islands where industrialization is already under way and where consequently the yield of new investment (both in private and social terms) is likely to be highest. There is also the consideration that industrial development is fostered at least in its early stages by concentration and conglomeration, which require physical proximity of industries *(4)*. At a later stage of development, the social costs of concentration may outweigh the economic benefits[a]. The need for such industrial concentration points to the desirability of migration of labour from the smaller and weaker territories.

It is apparent that the policy suggested by the above analysis is at variance with the policy dictated by a conscious direction of investment to the weaker areas to prevent economic polarization; and it may be claimed that the decentralization of investment is a luxury which can be afforded only by countries which are already in the stage of self-sustained growth and not by countries attempting a take-off.

This presents West Indian policy makers with a very real dilemma. However, the dilemma is not entirely insoluble. An attack will have to be made on both fronts. For the most part, the smaller islands may be presumed to have a comparative advantage in market-gardening, the processing of local materials and foodstuffs, and tourism; and investment directed to develop these industries may yield high direct returns. Broadly, then, West Indian investment policies should be planned with a view to stimulating large-scale industrialization in the two or three larger territories and market-gardening, processing industries and tourism in the smaller territories.

[a]Of course, if there is proper zoning of industry and residential facilities in accordance with the principles of modern town planning, this danger of undue congestion need not arise.

References

1. "ANALYST" (1953) "Currency and Banking in Jamaica", *Social and Economic Studies*, Vol. 1, No. 4. University College of the West Indies, Jamaica.
2. DELL, S. (1959) "Economic Integration and the American Example", *Economic Journal*, Vol. LXIX, p. 41, March.
3. JOHNSON, H. G. (1958) "The Economic Gains from Freer Trade with Europe", *Three Banks Review*, p. 6, September.

4. LEWIS, W. A. (1950) *Industrial Development in the British Caribbean* (*passim*). Port of Spain, Trinidad.
5. LEWIS, W. A. (1954) "Economic Development with Unlimited Supplies of Labour", *Manchester School*, May.
6. LEWIS, W. A. (1955) *Theory of Economic Growth*, p. 149, London.
7. MEADE, J. E. (1955) *Trade and Welfare*, p. 41, Oxford.
8. MEADE, J. E. (1955) *The Theory of Customs Union*, p. 34-41, Amsterdam.
9. MYRDAL, G. (1956) *An International Economy*, (*passim*). London.
10. VINER, J. (1950) *The Customs Union Issue*, pp. 41-55, New York.

EFFECTS OF A CUSTOMS UNION ON ECONOMIC DEVELOPMENT

By

Gerald M. Meier

These comments appraise the Croft Report's claim that the establishment of a West Indies customs union would play an indispensable part in promoting the region's economic development. Although it would be desirable to have a detailed analysis of the economic structure and commodity trade of each of the Units, we must restrict our attention here to only some general issues. From a consideration of these the conclusion will emerge that, important as a customs union might be politically, its economic significance in terms of accelerating regional development tends to be exaggerated.

1. Only in a highly abbreviated manner does the Croft Report make explicit the premises underlying its view that a customs union would foster development. From general theoretical principles, however, we may suggest that a customs union might accelerate a region's development in the following ways: (a) by increasing the "gains from trade", (b) by improving the productive efficiency of existing industries, (c) by stimulating the creation of new industries, and (d) by improving the region's terms of trade.

The analytical framework for this reasoning can be summarized diagrammatically *(3)*. Consider two countries, *A* and *B*, each capable of producing two commodities, *X* and *Y*. Assume a linear production possibility curve for each country as depicted in Figure 1, where *AA'* represents the maximum possible combinations of *X* and *Y* that can be produced in *A* with its given factor supply and given techniques of production, and *BB'* represents the maximum possible production combinations of *X* and *Y* in *B* with its given resources and techniques. Together with its production possibilities, let each country's demand conditions determine its consumption point in isolation as *P* in *A*, and *R* in *B*. For simplicity, *P* and *R* lie on a straight line through the origin, indicating that the consumption pattern is the same in *A* and *B*.

1. (a). If *A* and *B* now form a customs union the total consumption amounts of *X* and *Y* for the two units acting as a single producing area will be greater than the sum of the consumption amounts when *A* and *B* acted in isolation. This can be readily seen by aggregating the production possibilities *AA'* and *BB'*, giving *CDE* in Figure 1 ($AC = OB$, $B'E = OA'$). The coordinates of the customs union's consumption point *T* are greater than the sum of the coordinates of *P* and *R*. Thus, when the commodity-substitution rates differ in *A* and *B*, and there is not complete specialization in isolation, it is possible to gain from intra-regional trade: within the customs union there can be more efficient production and hence a higher real income than would be possible if each country remained isolated.

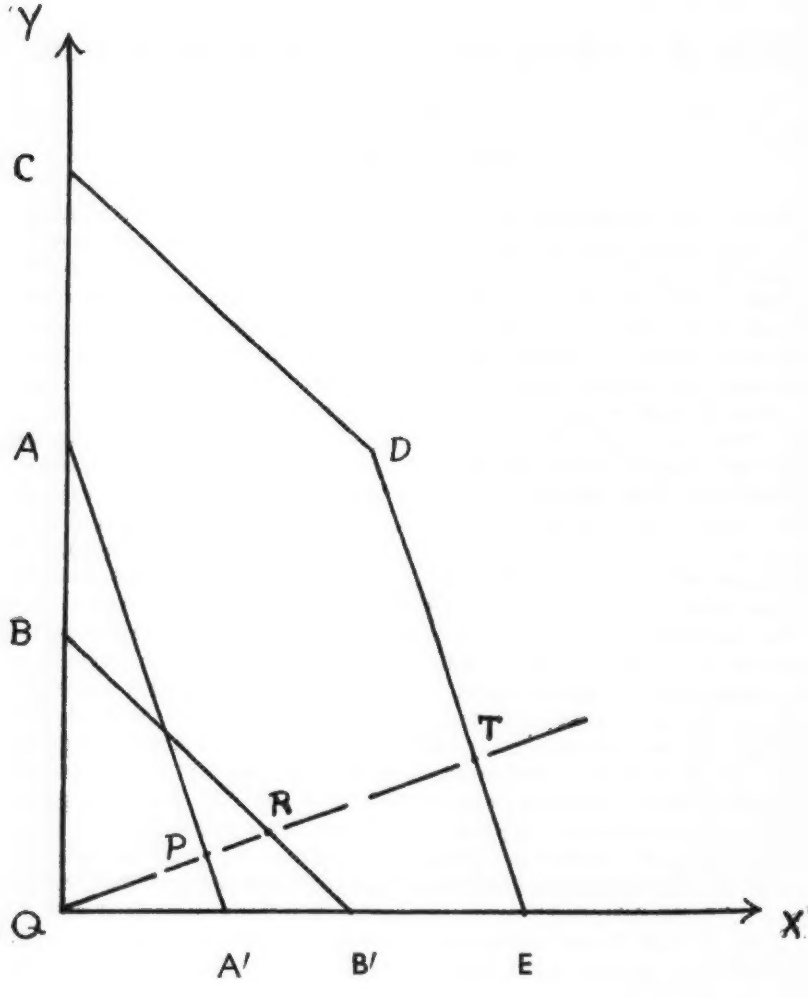

Figure 1.

1 (b). This gain may be even greater than that depicted if each country had previously failed to achieve in isolation an optimum allocation of its resources or full employment, but is able to do so through formation of the union. Mal-allocation or unemployment of resources in *A* would mean that production and consumption were not at *P* on the production possibility curve, but to the left of *P* along *OP* (assuming the same consumption pattern); similarly, the production and consumption point in *B* would be not at *R* but to the left of *R* along *OR*. To the extent that the consumption points in isolation are to the left of *P* and *R*, the coordinates of the union's consumption point *T* would be *pro tanto* superior. This corresponds to the argument that economic integration may improve the productive efficiency of existing industries.

1. (c). If now, in addition, the union imposes a protective tariff on imports from non-union countries, then new import-competing industries might be created within the union. If the stimulation of the new industry is not at the expense of a previously existing industry, but comes from an increase in factor supply, it will mean an outward shift in the production possibility curve. Thus, if *Y* is *B's* import commodity, and a new industry producing *Y* is established in *B*, the production possibility curve of *B* will shift out along the *Y*-axis.

1. (d). Finally, the outside tariff might be used to improve the region's commodity terms of trade. Acting in combination, *A* and *B* will have stronger bargaining power than if they acted as separate tariff areas, and the region may be able to use this power to raise its own duties on trade with the outside world or to induce outsiders to reduce their duties on their trade with the area. This bargaining power will be more effective in improving the terms of trade the more elastic is the region's reciprocal demand for outside products and the less elastic is the reciprocal demand of the outside world for the region's exports.

The formation of a customs union might also turn the terms of trade in favour of the union if the intra-union trade is sufficiently large and of such a composition that it reduces the demand within the union for outside imports or reduces the outside supply of the union's exports.

X As sketched briefly, the foregoing theoretical possibilities indicate at least four ways in which the establishment of a customs union might increase the real income, or level of economic development, of the region: 1 (a) by an improved international division of labour, 1 (b) by greater domestic allocative efficiency, 1 (c) by expansion of factor supply, and 1 (d) by gaining a larger quantum of imports for the same quantum of exports. The relevant problem is now one of determining how likely it is that these four possibilities will materialize in The West Indies customs union.

2. Regarding the first possibility of an improvement in the international division of labour, we must note that, unlike the initial situation assumed for Figure 1, the pre-union situation of the individual islands is not one of isolation but, on the contrary, high dependence on foreign trade. The form-

ation of a customs union will therefore not only create inter-island trade but may also cause some of the existing trade between the islands and other countries to be replaced by trade within the union. When the liberalization of regional trade has this "trade-diverting effect" (*4*, Ch. II; *6*, pp. 48-62), the international division of labour will be worsened to the extent that the outside source of supply is actually a low-cost source and its product becomes higher priced within the union because of the outside duty. The consequence is an uneconomic diversion of output from the low-cost outside source to the high-cost internal source. World output is reduced, and real income is lowered.

If, in contrast, the union now permits one of the Units to export to another Unit and to replace the higher-cost industry in the other Unit, then the effect is one of "trade creation." The consequence is an economic shift of resources into more efficient production.

The enlargement of inter-island trade, which the Croft Report expects to follow from the formation of a customs union, will therefore not necessarily constitute an increase in the gains from trade — unless the expanded regional trade is solely from trade creation.[a] Trade creation is more likely to result, the higher are each Unit's pre-union duties on each other's products, the greater are the differences among the Units with respect to their protected industries prior to the customs union, the lower is the "average" tariff level on outside imports as compared with the pre-union tariff level, and the less competitive are the products of the Units with outside imports.

Within this framework it would be instructive to examine the scope for trade creation on a commodity-by-commodity basis. Even without all this detail, however, it is reasonable to believe that the potential for increased inter-island trade is limited. For such trade is now small, constituting but a small percentage of the region's total trade. If this insignificant volume of intra-regional trade were caused by high duties among the islands on commodities for which demand was relatively elastic, it could be argued that the removal of these duties would promote a considerably larger volume of trade within the union. But the volume of intra-West Indian trade is now limited less by high protective duties than by the essentially similar production and consumption patterns in several of the islands, by the concentration on exports for outside markets, and by the high transportation costs among the islands.

There might, however, be some replacement of imports from outside the area by commodities already being produced within the area. But even if this replacement were complete, it would still not expand intra-regional trade very significantly. For the only commodities which were produced within the area and also imported into the area in amounts over (W.I.) $1

[a]Refinements to Professor Viner's analysis have been suggested by Professor Meade. He considers how to weigh up the gains from some elements of trade creation against the losses from some other elements of trade diversion, and he also removes Professor Viner's assumptions that demand is fixed and costs of production are constant and invariable with the amount produced (*4*, pp. 34-54).

million in the representative year of 1954 were meat ($3 million), pulses ($2.2 million), condensed milk ($6.6 million), cocoa powder ($1.3 million), beer and ale ($2.5 million), cement ($3.7 million), pitch pine ($4.1 million), and footwear ($7.9 million) *(2)*[a].

It is thus unlikely that the establishment of a customs union will lead to any pronounced increase in intra-West Indian trade – whether of a trade creating or trade diverting character.

3. The second possible contribution of a customs union to development – an increase in the productive efficiency of existing industries – is also unlikely to prove very significant in practice. The argument that the wider regional market will promote economies of scale assumes that plants must be of a large size, and that the extent of the individual Unit's market is too small to sustain the large size plant. Oil refineries and cement plants may be relevant examples. In many industries, however, economies of scale may frequently be realized in plants of only moderate size. This is especially true for light industry in which fixed investment is only a small part of total costs. Moreover, the market which was previously confined to the Unit is not apt to be extended very much to the wider area of the union unless there is in the pre-union situation a high degree of rivalry for protected industries, which is not the case in the West Indies. It is also important to remember that, regardless of the size of the consumer market, if the supply of productive factors is limited, then an expansion of output of an industry will encounter increasing unit-costs as the price for its intensive factor rise. Unless the customs union results in a substantial increase in factor mobility among the Units, it will not increase the "scale" of the "national" economy in terms of production conditions even if it does extend it from the viewpoint of the size of the protected market for sales *(6*, p. 47). In so far as high population densities and population pressures are generally prevalent throughout the area, inter-federal migration cannot be expected to contribute significantly to a better ratio of population and resources.

Finally, it should not be overlooked that there may be more scope for a reduction in an industry's unit-costs, even without a customs union, through a closer approach to the least-cost combination of factors and hence a downward shift in the entire cost curve, rather than in a movement along a falling cost curve as output expands. The essential point is that the presently low labour productivity results from other conditions beside a small scale of output – namely, inefficient entrepreneurship, unskilled labour, and lack of capital. A better combination of existing factors, an improvement in the quality of existing factors, anti-monopoly regulation, and the introduction of cost-reducing innovations may all offer more of an increase in productivity than would result from the possibility of producing a larger output for a wider market.

4. It is in connection with the third possibility – the creation of new in-

[a]These data include imports into British Guiana and British Honduras, and hence exaggerate the scope for import-replacement within the Customs Union.

dustries — that a customs union is likely to have its greatest influence. The Commission's call for industrial development (pars. 44-48, 50) is more apt to be met through the inducement of direct foreign investment to get behind the tariff wall than by a marked expansion in already established industries or the development of industrial products for export.[a] Although in its early stages the union may have its greatest effect in creating "tariff factories", if subsequently the union should evolve into ever-greater economic integration and co-ordination of economic, financial and social policy, then sheltered and export industries might also be more readily created. Centralization of borrowing powers, for example, may improve the prospects for borrowing foreign capital. It is also possible that West Indian institutions engaged in common development programmes might emerge, such as the European Investment Bank in the European Common Market. Greater regional integration may also avoid the wastes of "water-tight" compartments of industrialization and the uneconomic multiplication of new industries which might otherwise occur through independent industrialization programming by each Unit acting alone.

The problem of creating new industries, however, requires much more attention than it receives in the Croft Report. It is necessary to establish criteria for determining which industries should be created and to determine the most appropriate means for their creation. The existing Unit protection of industries through import licensing in Jamaica and protective tariffs in Trinidad and Barbados is simply allowed to continue for a transitional period of generally five years (pars. 153-156). The common tariff schedule that is proposed is a differential system of duties determined on a selective principle, "so devised as to ensure that the yield of revenue will be sufficient to meet, in addition to the continuing needs of the Units, as much of the new needs of the Federation as is not covered by other sources of revenue" (par. 53). The alternative of a general uniform tariff over a whole range of manufactures is not considered, although this policy has the merits of providing a better utilization of domestic resources, interfering less with the international division of labour, and preserving the principle of comparative advantage within the whole manufacturing field.

5. The last possibility — an improvement in the region's terms of trade — depends on the presumption that bargaining power will be increased, so that regional exports may be raised in price or import prices reduced.[b] This question is related to "optimum tariff" theory, and its answer depends on the elasticities of international demand and supply. In so far as sugar exports will continue to be subject to international agreement, and the depend-

[a]For a well-balanced analysis of the more general argument that a tariff imposed by a capital-scarce country may attract foreign investment, see R. A. Mundell (5).

[b]This issue should not be confused wtih that of cyclical instability in the terms of trade. Amelioration of the cyclical problem depends on the maintenance of economic stability in countries importing from the West Indies, the promotion of international commodity agreements and buffer stock arrangements, and a strengthening of the financial structure of the domestic economies. For an incisive discussion of this problem, see (*1*).

ence on imports of foodstuffs and capital goods cannot be readily reduced, the formation of a customs union is unlikely to result in any marked increase in bargaining power.

Further, it must be recognized that such a policy results at best in only a short term gain. The optimum tariff argument is a static one, and its results can be easily offset by retaliation, changes in the elasticities, and changes in the government's pattern of expenditure of the customs revenue. It is, of course, also inconsistent to expect a tariff to provide both protection and an improvement in the terms of trade; to the extent that the terms of trade improve, less protection is provided.

6. The conclusion from the foregoing discussion is that a customs union is not likely to have any spectacular effects on the development of the West Indies. Foreign trade is vitally important to the region's development, but its importance lies essentially in an expansion of exports outside the region and in the "carry-over" of these exports to the rest of the domestic economy.

The basic problem for export economies such as those in the West Indies is why — in spite of the secular increase in their exports — the development process has not caught hold. Unlike the situation in some other countries, why has not the growth in the export sectors of these islands carried over to other sectors and propelled the rest of the economy forwards? While this is not the place for a full elaboration of the hypothesis, it may be suggested that much of the answer can be sought in the pervasiveness of market imperfections in the domestic economies.

Interpreting "market imperfections" broadly, one can recognize that such imperfections as factor immobility, price rigidity, restrictive tendencies in both the factor and goods markets, ignorance of market conditions, and scarcity of entrepreneurship have all acted as impediments to the achievement of inter-temporal efficiency in the utilization of resources. The economy has been fragmented and compartmentalized, the transference of resources from less productive to more productive employments has been restricted, and the linkage of markets and their subsequent extension have been handicapped. The secondary round of activities induced by an increase in exports has thereby been cut short, and the full potential of the dynamic gains from trade has not been realized.

If the rigidities and inflexibilities were overcome, foreign trade could have a much more extensive impact throughout the economy. In particular, the carry-over from the export sector would be enhanced in such forms as the use of more advanced production techniques, the stimulation of entrepreneurial activities, a higher rate of plough-back of foreign exchange proceeds into productive investment, an expansion of export-supporting industries, and an increase in the economy's capacity to absorb capital. The removal of market imperfections is therefore important for achieving a more efficient allocation of resources over time and for allowing the "gains from growth" to emerge from the "gains from trade."

If economic analysis is to contribute to an acceleration of development

in the West Indies, it would be more realistic to re-allocate scarce economist-hours away from an over-concern with the customs union and towards a study of policies for increasing exports outside the region and extending the domestic "carry-over" of these exports. There would then be less danger of minimizing the strategic roles that increased primary production and export stimulation must have in the development of the West Indies.

References

1. HABERLER, G. (1957) "Terms of Trade and Economic Development", Paper 10, Roundtable of the International Economic Association, Rio de Janeiro, August.
2. KING, J. C. (1958) "Note on Intra-Regional Trade" *Social and Economic Studies,* p. 136, Vol. 7, No. 3. University College of the West Indies, Jamaica.
3. MAKOWER, H. and MORTON, G. (1953) "A Contribution Towards a Theory of Customs Unions", *Economic Journal*, pp. 44-5, No. 249, March.
4. MEADE, J. E. (1955) *The Theory of Customs Unions.* Amsterdam.
5. MUNDELL, R. A. (1957) "International Trade and Factor Mobility", *American Economic Review*, pp. 321-35, XLVII, No. 3, June.
6. VINER, J. (1950), *The Customs Union Issue.* New York.

MAKING A CUSTOMS UNION

BY

T. BALOGH.

The report of the Trade and Tariff Commission is a further instalment in the quaint story of making the West Indian Federation, which in its turn is merely another instance of the quaint way political emancipation in the erstwhile British Empire is managed by well-meaning but inexpert hands. The great difficulty in the West Indies (as in Africa but not to the same degree in Asia) is that the political divisions in the area have nothing to do with economic, geographic or ethnic unities. They have been imposed on the area by rival imperialisms. Now that these Empires are in dissolution[a] a number of small independent countries are being formed. Each is too weak to make a success, but the difficulties of joining them are formidable. Not least, the vast divergence between the political traditions of the area – Spanish, French, Dutch and British (apart from the new incursion of the American) – seems a solid block in the way of a sensible unification of the Caribbean and Central America. The effort of bringing at least the British islands together is an estimable venture. The difficulties in the way of accomplishment must not be underestimated. The whole Federation represents a small area, with a tiny population of just three millions. Yet it is scattered over a vast area. Its most important part, Jamaica, with more than half of the total population, is over 1,000 miles from the bulk of the remainder. In between lie much larger islands with not dissimilar economies. The differences in the state of economic development within this anomalous area are startling. The relations between Jamaica and Trinidad, on the one hand, and the small island groups on the other, threaten to become rather more like those between North and South Italy than, say, those between Belgium and Holland. Yet even in the unification of the latter very strong safeguards were employed and the Common Market profited further from the experience – though in my opinion still far from sufficiently.[b] Unfortunately, as in the case of the Free Trade Area project, the Caribbean Federation plans have been marred from the outset by the dilettante manner in which it has been devised by the British permanent civil service in complete command. The joining of these islands can only be desirable if we hold (in the teeth of the old British

[a]The exception is the American Empire which in both directly and indirectly dominated areas is still vigorous and whose preferential treatment of its own dependencies and some other countries is as much an obstacle to real unification as is the desperate effort of France to integrate its colonies into the metropolitan system.

[b]The most cogent argument against the British counterplan, the Free Trade Area, was that it completely disregarded these problems. Cf. the Oxford Institute of Statistics Symposium of the Free Trade Area (2).

civil service doctrine of *laissez-faire,* which assumed perfect competition all round and thus *ex hypothesi* excluded the size of any given country as a determinant of its potential productivity and living standard; all possible benefits could be fully secured by general free trade) that the size of units is important and that purposive action is needed to develop underdeveloped poor territories. This has never been accepted by the effective permanent controllers of the Colonial Office.[a] The consequence was that from its beginnings the Federation plans began to resemble the disastrous Australian pattern. In that case the British authors took away important regulatory powers from the constituent states without safely lodging them into the hands of the Federation. In the void thus created powerful private vested interests could do anything. It was perhaps pardonable at the turn of the century that this was not realized. The commission of similar, if not precisely identical, mistakes would now be unpardonable. Yet it is only too likely.

Far more energetic efforts might have been made to extend the scope of the Federation beyond the artificial confines of British sovereignty.[b] The second requirement was to plan the scope of Federal powers so as to be able to produce a sensible economic policy. But the preparatory work of the Federation was entrusted to ex-civil servants with little expert knowledge. The result is, accordingly, extremely halting. It would take a brave man to recommend to, say, the Chief Minister of Jamaica that he should give up any powers of planning for industrial development in the hope that the Federation could or would take on the job in a more effective way. What might happen is a general fade-out of the small if not unhopeful start of industrial development that has been made in some of the larger islands.

The Commission whose Report is under review is also this sort of anomaly. It is to their credit that they freely recognize this fact (para 41, p.17). Usually it is the government of the various constituent units which negotiate the common tariff and the conditions of its administration. And it is typical that no practising and practised economist was made a member of the Committee. Its majority came from the Board of Customs and Exercise of the metropolis. Yet

[a]Their dilettante incompetence, combined with hankering after *laisser-faire,* has put most dependent areas "in a straight waistcoat" (as the Commissioners put it, Report, Part 1, Appendix D, pp. 83 paras 3-6). Unlike the U.S., the Colonial Office did not safeguard the Preferential Agreements under G.A.T.T. This has been destructive to sane financial policies in the West Indies because of the complications introduced by the West Indian-Canadian Tariff Agreement. It has made efforts at industrialization extremely difficult everywhere. (I encountered it first in connexion with Maltese industrialization plans. Though the Colonial Office could in 1946 have claimed for Malta all advantages secured under the Imperial Preference system, it did not. Hence it became impossible under G.A.T.T. to claim them afterwards. The potential outlets for Malta were thus wantonly and ruinously restricted. The Commissioners laconically state "While it may be a matter for surprise that the Canada-West Indies position was not reserved at the time when the two parties accepted the provisions of the G.A.T.T., nothing was done to renounce or modify the former and it has certainly been regarded by both parties as still in force. The contracting parties to the G.A.T.T. are applying the Agreement provisionally, that is to say, 'to the fullest extent not inconsistent with existing legislation.' It seems to us that if a contracting party, e.g. the U.S.A., is free to maintain existing legislation, a unilateral matter, other parties may claim to maintain their long established and still current bilateral contracts." (p. 84, para 6). A more ghastly mismanagement in a vital field can hardly be imagined.

[b]It is interesting that Professor W. A. Lewis did not seem to have stressed this (cf. para 48).

the problem was not one of administrative arrangements. It was an issue of vital importance concerning high economic policy.

Considering the personnel and the general circumstances, the result is not too bad. The Commissioners did not suggest a re-negotiation of the basic treaties with the Commonwealth in order to get further concessions – though this would seem urgently needed. The launching of the Federation is as good a time as any for obtaining some overdue help. What can and must be done has been shown by the treatment accorded to the dependent territories of the members (and to certain independent states, e.g. Morocco and Tunis) by the Common Market. The highly developed areas granted free trade rights without demanding reciprocity. Indeed, they permitted the strengthening of certain types of protective measures in the underdeveloped areas. No such concessions were contemplated in the case of the British dependencies (though the West Indies benefit more than most through its maintenance of the Sugar Agreement).[a]

On the other hand, careful investigation ought to have been made into the possibilities of promoting industrialization by tariff protection, and the ways in which the interests of the smaller islands, whose inhabitants are unlikely to benefit by the employment effects of these measures but would suffer from the increase in the price of protected goods, could have been safeguarded (e.g. by concessions in excise or other taxes).[b] Protection by import restrictions now employed is more efficacious, but would have to be confirmed by G.A.T.T. (if the Federation joined). In any case the problem remains of compensating rural communities (beyond the possibility that they might benefit by shedding their inhabitants to the industrializing centres).

These problems could not be tackled without a general analysis of the economic position and outlook, as well as of over-all economic policies, for the Federation and its Units. Nor can it be tackled if the problem of finance is excluded. In fact it is nonsense to treat the problem of creating a customs union in isolation. It is at one and the same time too all-embracing and too restricted. The fact that the so-called Fiscal Commissioner who laid the financial basis of the Federation, Sir Sydney Caine *(3)* unfortunately also had a restricted and mechanical conception of his duties and did not regard them (as he should have done) as a preliminary for evolving policies for accelerated development, increases the difficulties and confusion surrounding the Federation. No more ill-assorted godfathers could be imagined for so difficult a venture.

What has come out of this latest effort of solving the problem of tariff unification and the resultant financial problems of the Units (which arise because of the loss of customs revenue from the trade between one another) is a rather mechanical exercise – no doubt an essential preliminary for real policy making. The Commissioners recommend a system of consumption taxes

[a]But the important citrus bulk-purchase seems in danger.

[b]I have devised such a policy for the Iraq Government where the rural peasant population needs to be protected against the effects of measures speeding industrialization. (See *1*).

on a narrow and very British range of goods — tobacco, alcoholic drinks and petrol — to offset the loss of customs revenue now derived from the trade between the Units of the new customs union. They refuse to extend the range on the plea that this would militate against the free and uncontrolled passage of goods from one island to another. Thus the freedom of the Units to introduce indirect taxation to suit their economic problems is severely limited. The liberty of movement of goods is thus, as in Australia, used as an argument against a sensible policy. Yet shipments ought in any case to be checked. Islands under different flags intermingle and, if shipments from one Unit to another are not checked wholesale smuggling and evasion would be inevitable. In any case the Commissioners might well have proposed a sharply progressive unified system of purchase taxes. The fact that they used the establishment of the customs union for this particular purpose shows an unreasonable bias against progressive taxation which seems preposterous.

However all this might be regarded as falling far beyond their competence; in any case one must be grateful for small mercies! No irreparable damage has been inflicted by the Report. What has happened is that (as in the previous investigations and commissions) no definitive results have been produced. After the failure of the British administrators it falls to the West Indians to make up their mind (after a really thorough economic analysis and the exploration of the possibilities of closer economic ties with non-British islands) how to organize the Federation.

As it is, no one can recommend any of the Units to put their faith in the Federal power to initiate constructive policies; they are non-existent. In this sense Mr. Manley's resistance against Federal incursions into a well-thought-out system of Jamaican development measures is not merely comprehensible but inevitable.

Now that the verdict of the Jamaican voters — the majority of the Federation — has approved Mr. Manley's stand, the re-examination of the whole problem, undisturbed and unhampered by the prejudices and irrelevancies of the British Colonial Office, will be in order. The Federation can become a unit capable of initiating economic progress. In that case its powers must be increased; or it must be dissolved. What it must not become is an incubus which restrains West Indians from achieving a status of economic equality with the more fortunate areas of the world. I have no doubt that British political leaders — of whatever party — will respond if well-thought-out proposals for intensified help are put before them. The Caribbean is far too important an area to be left to ferment in discontent.

References

1. F.A.O. *The Economic Development of Iraq*. Rome 1957, Baghdad, 1958 (in Arabic).
2. Oxford Institute of Statistics (1957) *Symposium of the Free Trade Area*. Oxford (reprinting).
3. Plan for a British Caribbean Federation: *Report of the Fiscal Commissioner*, Cmd 9618/1955.

Revisions, and Suggestions for Deflating the Gross Product Estimates for Jamaican-type Economies

By

Alfred P. Thorne

Introduction

The final report of Jamaica's *Survey of Business Establishments, 1954 (3),* was issued by the Department of Statistics, Kingston, in 1956. From the time the writer received a copy of that report, early in 1957, he has hoped to have the opportunity of revising at least the gross product series he made for that island in 1953-1954 *(6)*. This paper presents estimates which have been made on the basis of the final report of the Survey of Business Establishments. Account has been taken also of additional information made available as a result of further research carried out by the Department of Statistics and the Department of Agriculture with respect to segments of the estimates for some items of agricultural production, such as ground provisions or root crops, to which attention was specially drawn in *Size, Structure and Growth of the Economy of Jamaica;* and in order to facilitate further improvements by future researchers as Jamaican statistics become more adequate, a table of the major physical agricultural quantities underlying the present series is included.

Details of some central and local government financial accounts, including those of some self-accounting departments, and the external trade statistics for 1951-52 were unavailable or incomplete at the time the original estimates were made (1953-54). The final figures of these official statements were obtained during a visit to Jamaica in July-August, 1957. The writer also took the opportunity on that occasion to revisit the Income Tax Office and secure additional information, or, in fact, to secure information with respect to a greater number of enterprises, thus broadening the "samples".

The other purpose of this paper is to emphasize the importance of the difference between (a) deflating Jamaica's gross product by industrial origin by means of its cost-of-living index, and (b) deflating its gross product by industrial origin by means of distinct sector deflators. Reasons for the difference are stated briefly, and it is argued that the second method is by far the more logical, and leads to less distortion.[a] Deflation of the revised series is performed by both methods, and the results are set out in one table in order to facilitate comparisons, sector by sector.

Although economics is much more concerned with values than with physical quantities of production, changes in the latter are also of importance, and

[a]This was argued very briefly in *(6)* but the different results obtained were not shown there.

do serve to indicate, at least roughly, changes in the allocation of productive resources. The shorter the period of study, the more reliably do such physical changes in an industrial group (or in a single enterprise) indicate changes in the amount of labour, land or other input actively used in the industry (or enterprise). Changes in the organization and productivity of an industry are usually not substantial over short periods of time.

II. The Revised Estimates

Table 1 presents the revised estimates. Since the methods of making estimates for the various industries and sectors have been the same as those which were described at the time of presenting the original estimates, there will be no discussion here of these methods *(6,* Chs. III and VIII).

TABLE 1. Gross Domestic Product by Industrial Origin at Factor Cost, 1938, 1942, 1943, 1950-1952

(Current year values in thousands of pounds sterling, to the nearest ten thousand)

Industrial Group	1938	1942	1943	1950	1951	1952
1. Sugar cane	900	1,300	1,300	3,960	4,350	5,040
2. Other agriculture, forestry fishing and mining	6,390	7,020	7,500	15,950	16,280	18,750
3. Sugar manufacture	540	670	920	2,280	2,490	3,060
4. Other manufacture	1,050	1,090	1,180	6,650	7,650	9,020
5. Electricity, gas, water and sewering services	150	360	335	670	780	910
6. Construction and installation	790	850	775	5,630	9,420	10,820
7. General government	1,190	1,650	1,850	4,810	6,210	5,990
8. Ownership of dwellings	1,850	2,850	2,920	4,200	4,350	4,610
9. Transportation, communication, wholesale and retail trade	5,050	8,250	10,550	17,260	20,430	23,330
10. All other services	2,280	4,200	5,040	11,060	13,040	15,280
Totals[a]	20,190	28,240	32,375	72,470	85,010	96,810

[a] On account of rounding, the figures do not always add exactly to the totals stated.

If we were to compare only the total values, year by year, of the original and the revised estimates, it would appear that the divergences are so small as not to justify the effort of revision that has been made. The revised totals for 1942 and 1943 are virtually unchanged, as are the values for each industrial group for those years; whilst the 1950, 1951 and 1952 revised totals exceed the original by approximately only 3 per cent, 4 per cent and 2 per cent, respectively. The largest change in the original totals is with respect to the aggregate for 1938. An account of upward revisions mainly of the estimates of the agricultural output of the "minor", or non-export crops and of the miscellaneous minor manufactures, the total talue of the gross domestic product for this year turns out to be roughly 8 per cent higher than originally estimated. But even this is not a large percentage difference for estimates of this nature, in an environment where statistical services still need considerable development. The revised estimates, however, diverge more substantially from the original ones in respect of some of the individual industrial groups.

It is only by the accident of partially compensating errors that the new totals do not differ more substantially from the original ones.

In regard to the individual industrial groups, the new estimates diverge from the original ones by the positive or negative percentages indicated in Table 2.

TABLE 2. PERCENTAGES BY WHICH THE REVISED ESTIMATES EXCEED (+) OR FALL BELOW (−) THE ORIGINAL ESTIMATES OF GROSS DOMESTIC PRODUCT AT FACTOR COST, 1938, 1942, 1943, 1950, 1951, 1952

Industrial Group	1938	1942	1943	1950	1951	1952
Agriculture, forestry, fishing and mining	+8.0	0.0	0.0	−8.0	−6	−8.0
Other manufacture	+30.0	0.0	0.0	+13.0	+10.0	+4.0
Electricity, gas, water and sewerage	0.0	0.0	0.0	−12.0	−8.0	0.0
Construction and installation	+20.0	0.0	+10.0	+6.0	+6.0	+5.0
General government	0.0	0.0	0.0	+14.0	+ 12.0	0.0
Ownership of dwellings	0.0	0.0	0.0	+1.0	0.0	0.0
Transportation, communication, wholesale and retail trade	0.0	0.0	0.0	+10.0	+12.0	+10.0
All other services	0.0	0.0	0.0	+5.0	+5.0	+5.0
Total	+10.0	0	+0.2	−3.0	+4.0	+2.0

It will be observed that the agricultural estimates for 1950-1952 have been reduced by 6 to 8 per cent, mainly because our original estimates of a number of non-export crops are now considered to have been too high. On the other hand, the final report of the *Survey of Business Establishments, 1954*, has shown that our original estimates for manufacturing, trade and miscellaneous services were too low by amounts varying from 4 to 13 per cent of the original estimates.

III. Deflating the Gross Product Estimates for Economies of the Jamaican Type

As is commonly the situation in underdeveloped countries, the only official price index available was the "working class" cost-of-living index, along with the series of its major components (food and drink; clothing; rental of dwellings; fuel; and miscellaneous). The cost-of-living index was, of course, designed to indicate approximately the average changes in the prices of those sorts of commodities which are important in the family budgets of "working-class" families.

It is not the major objection that a large number of commodities which are prominent in the budgets of other classes of families are not included in such official cost-of-living indexes. Even though we might readily note that government price controls and subsidies usually aim mainly at holding down the prices of commodities consumed by working-class rather than other families, and that the average cost of living is therefore likely to change at a different rate for the former families than for the latter, the fact is that in territories of the kind under discussion there are usually only relatively

small numbers of families who might be regarded as having substantially more developed patterns of consumption because of their higher income and cultural levels. Changes in the overall average cost of living for the territory as a whole are therefore likely to be less different from changes in the working class average than would otherwise be the case.

It is of far greater consequence, however, that imported commodities are, in export economies like those of Puerto Rico, Malaya and Jamaica, more prominent in the budgets of the majority of families, including low-income families, than they are in the United States, France, Germany, and other northwest European countries. They are more prominent even than in Britain. Because, although Britain is a big importer and, of course, big exporter also (on the basis of value of imports — and of exports — in relation to value of total domestic product, gross or net), the large total value of her imports consists of the values of foods and raw materials that are to undergo much processing in Britain before being either consumed domestically or exported as manufactures. The imports are the bases for a very large amount of "value added" by Britain's domestic economy. It is, however, not at all obvious that cost-of-living indexes are logically appropriate for use in deflating the domestic product of the Puerto Rican or Jamaican type of economy. Since imports into the latter economies comprise principally commodities which are in their final physical form for consumption, and to which the "value added" consists mainly of distributive costs, the trend of import values is much greater as a determinant of the local cost-of-living index. And since the prices of imports do not necessarily, or even usually, move in consonance with the values of domestic products (whether destined to be sold abroad or locally), there is little logical justification for using cost-of-living index numbers to deflate *domestic product* values.[a]

The fact that the cost-of-living index numbers include only prices of consumer goods, and exclude prices of capital goods, is of course another objection. We need not dwell upon this here.

If it is accepted that, because of shifts in the international terms of trade, changes in cost-of-living index numbers that are based on the prices of a large proportion of imported consumer goods should not be expected necessarily to approximate movements in the *total* value of domestic product, is there any more reason to believe that changes in the cost-of-living index are less inappropriate as indicators of changes in the values of the domestic product contributed by each individual industrial group in the underdeveloped, export-type economy? On the contrary, the normal expectation would be that divergences in the movement of the cost-of-living index from the real index of total domestic value or from the average of all the separate industrial group values would be less than the divergences of this index from each industrial group value.

[a]In the case of Jamaica, the average value of imports in 1950 was less than 5 per cent higher than in 1948; but the average value of domestic products exported was higher in 1950 than it was in 1948 by 13 per cent; that is, it had risen nearly three times as much as the imports average. Yet, within the following year the average value per unit of imported goods rose by nearly 20 per cent as against a 15 per cent rise for the average value per unit of local produce exported. (See *1*, Table 16).

In the absence of separate price indexes for the major groups of industrial output, a more satisfactory means of deflating domestic product in such countries is, it seems, to value the output or the input of each major industrial group at base year prices. For example, each of the major agricultural crops and mineral products could be valued at prices prevailing in the base year. We could then sum these values to obtain the total of the real product contributed by the primary sector. This procedure is recommended both for its theoretical simplicity and for its statistical practicability. For, in these countries, the relatively large contribution by the primary sector to the total domestic product is usually estimated, in the first place, on the bases of physical quantities produced per acre or consumed *per capita*. Frequently available also are the quantity data of national, or regional, statutory single-purchaser or single-seller Boards and Associations.

For minerals, quantities on which royalty was paid (in some cases, quantities exported) frequently account for the bulk of the output.

In the case of construction, we could value the main *inputs* at the base year prices. The major physical inputs are either imported, or produced domestically by only a few enterprises – cement, for example.

In the manufacturing sector, some segments are easily deflated by reference to physical inputs, others by reference to physical outputs. For example, the products of some segments are almost entirely exported. Sugar is an example. Total output is often quota-controlled. Or the principal inputs are imported, or obtained from the local agricultural sector, few firms being involved. External trade statistics or agricultural output statistics may therefore in such cases supply most of the data needed. The number of import or export merchants handling the items of external trade is usually relatively small, so that an estimate of the inventory change to be allowed for is easily made by interviewing these merchants (or large sample fractions of them).

The procedures described above resulted in the values which are presented in Table 3 and in the second row or line of Table 5, which, for convenience, brings together current year and deflated values (both methods).

The figures in the first row or line of Table 5 are current-year-price values contributed by the same industrial groups or sectors to the total gross product in each of the years.

The constant price products obtained are now shown in Table 3.

In order more accurately to arrive at the deflated value of the product of, or value added by, each industry, it would be required to deflate separately both the current price value of the output of goods and services and the current price value of the input of goods and services. The real input so obtained would then be deducted from the real output, giving the deflated real product. In practice, however, the assumption can reasonably be made that changes in the real output of an industry are in the same direction and of the same magnitude as changes in the real product of (or value added by) the industry. Similarly, it can be assumed that changes in the input of an industry represent corresponding changes in the real product of that industry. Both

TABLE 3. Gross Domestic Product by Industrial Origin at Factor Cost at Constant (1950) Prices.
(Physical Input or Output Valuation Method)
(Values in million of pounds sterling)

Industrial	1938		1943		1950		1952	
	Value	%	Value	%	Value	%	Value	%
1. Sugar cane	2.0	(3.4)	2.8	(4.7)	4.0	(5.5)	4.0	(4.9)
2. Other agriculture, forestry and mining	22.8	(39.0)	16.9	(28.6)	15.9	(22.0)	19.1	(23.2)
3. Sugar manufacturing	1.0	(1.7)	1.5	(2.5)	2.3	(3.2)	2.3	(2.8)
4. Other manufacturing	2.5	(4.3)	2.5	(4.2)	6.7	(9.2)	7.6	9.2)
5. Electricity, gas, water and sewering services	0.1	(0.2)	0.4	(0.7)	0.7	(1.0)	0.8	(1.0)
6. Construction and installation	2.5	(4.3)	1.5	(2.5)	5.6	(7.7)	8.4	(10.2)
7. General government (Central and Local)	2.9	(5.0)	3.8	(6.4)	4.8	(6.6)	5.2	(6.3)
8. Ownership of dwellings	3.1	(5.3)	4.1	(6.9)	4.3	(5.8)	4.4	(5.3)
9. All other services	21.6	(37.0)	25.5	(42.8)	28.3	(39.0)	30.4	(37.0)
Total	58.5	(100.0)	59.0	(100.0)	72.5	(100.0)	82.2	(100.0)

a Owing to rounding, the percentage figures do not always add to 100 exactly.

of these assumptions are obviously identical with the assumption that the real input-output ratio of the industry is constant. For short periods of time, this is not unrealistic.

The essentials of the procedures that were followed in respect of Jamaica's gross domestic product are summarized in the following paragraphs.

Agriculture, Forestry, Fishing and Mining

In the case of the whole of this primary production sector, the physical quantities of the commodities produced were valued at their 1950 prices. In each case, the gross domestic product was assumed to be an unchanging fraction of the gross output value (at farm, etc.) so computed in each of the years 1938, 1943, 1950 and 1952. Excluding sugar cane cultivation, the assumption of a constant input-output ratio in agriculture is close to reality. But there have been important gains in efficiency in sugar cane production by the large sugar estates. Rather less has been the increase in the productivity of cane farmers, who have accounted for proportions of the total cane crop which have varied from 25 per cent in the earlier years to more than 35 per cent later. However, even in 1952, total cane production was contributing only 20 per cent of the total gross domestic product of the primary sector. In 1938 and 1943, this crop was responsible for less than 15 per cent of it. On the whole therefore, our assumption with regard to the input-output relationship in this sector is a reasonable one, although we must recognize that if we could have obtained data on productivity changes the primary sector as a whole would have shown less decline between 1938 and 1950, and the sugar cane industry, a greater rise.

The implicit price indexes of the sugar industry, of the other primary industries, and of the entire primary sector are:-

	Indexes		
Year	Sugar Cane Industry	Other Primary	Entire Primary Sector
1938	45	28	31
1943	46	43	44
1950	100	100	100
1952	125	98	103

Manufacturing

This sector was deflated in two parts, separately. For the sugar industry, the quantities of sugar, rum and molasses produced were valued at their 1950 prices, and input-output ratios were assumed to have been constant. The relevance of this assumption must at least to a remarkable degree be supported by the relationship between total output of cane in tons and total output of sugar in tons:

Year	Cane output 000 tons	Sugar output 000 tons
1938	1,270	118
1943	1,800	178
1950	2,560	272
1952	2,550	266

Thus, the quantity ratios of by far the most important input to the principal output were, successively, 10.8, 10.1, 9.4, 9.6, for the years being studied.

The result of deflating the output of this industry in the manner described is the same as if the indexes used were:

Year	Index
1938	53
1943	60
1950	100
1952	134

The other segment of manufacturing was deflated by using the official cost-of-living indexes for "Food" (and drink), "Clothing", and "All Other" (which includes tobacco). These indexes were weighted by the gross domestic product generated in 1950 in the corresponding manufacturing segments, namely, food manufacture, clothing manufacture and all other manufactures. The official indexes for fuel were omitted on the ground that Jamaica imported almost all its fuel (only an insignificant amount and value of local wood is used as fuel). The official rent index also was excluded from this computation. (It is used later, along with other information, to deflate the gross domestic product that arose through the industry, "ownership of dwellings").

The justification for making use of these particular series of the official indexes is that the local manufacturers to which they were applied were consumed almost entirely in the domestic market, and were in competition with imported rival products. Movements in the selected official series could,

therefore, reasonably be presumed to reflect average price movements in the manufacturing industries involved. The deflating indexes for manufacturing other than sugar manufacturing, and for all manufacturing were:

Year	Manufacture Non-sugar	All Manu-facturing
1938	35	35
1943	62	52
1950	100	100
1952	118	122

Electricity, Gas, Water and Sewering Services

This sector was deflated by computing price indexes for electricity and water-and-sewering services, and weighting them two to one, respectively, to get an average. No information was available on gas prices or on the total quantity of gas produced. Accurate data were available for total electricity produced (K.W.H.) and its total value. *(2)*. In regard to water (and sewering) services, information was obtained in respect of rates of charge from the Kingston and Saint Andrew Corporation. Less satisfactory data were available from the other parishes. The unavailability of relevant information on the gas supply should not have made much difference. The single gas enterprise, in Kingston, accounted for only a small fraction (5 per cent) of the total sales of these public utilities in 1952.

The indexes used to deflate the entire sector product were:

Year	Index
1938	110
1943	91
1950	100
1952	110

The average unit price of electric energy actually fell by more than 20 per cent between 1938 and 1943. Even by 1952 the old average had not again been attained. (This has, of course, been a feature observed in other economies.)

Construction and Installation

The important inputs, such as lumber and cement, were valued at 1950 prices. The implicit indexes were then adopted for items of capital goods, such as machinery and metal products, for which quantity data were unavailable, the assumption being that the prices of these moved in the same manner as those of lumber, cement, trucks, and so on. Except cement in 1952, practically all capital goods were imported in the years under review.

Having got figures of the value of the main input materials at 1950 prices, the gross domestic product at factor cost was estimated on the assumption of constant input-output ratios.

The implicit price indexes for this sector are:

Year	Index
1938	31
1943	50
1950	100
1952	126

General Government

There were available in the Estimates of the House of Representatives, published annually (4), figures of the numbers of employees on the "fixed establishment", by department and category. For the years in question, these numbers totalled approximately:

Year	No. of Employees on the Fixed Establishment
1938	4,540
1943	5,880
1950	7, 395
1952	8,065

These totals were taken to approximate roughly indexes of real output of government services. It was assumed that the ratio of such fixed establishment personnel to all government employees was about the same in each year, and that the output per person also was approximately constant.

Since the activities of the Public Works Department are excluded from this sector, and included in the construction and installation group of industries; and since the Post Office and Government Railway are also excluded from general government, being "enterprises", the larger and more fluctuating numbers of non-establishment personnel are outside the general government sector. This makes much less unsafe our assumption of a constant proportion of fixed establishment employees to other employees. The implicit price indexes resulting were:

Year	Indexes
1938	41
1943	48
1950	100
1952	114

Ownership of Dwellings

It was assumed that up to the early nineteen forties rents generally increased as indicated by the rent index series of the official cost-of-living index. According to additional information rents rose more sharply for "non-working class" houses, following the rise in economic activity that developed when the banana *malaise* began to be better offset by sugar output increases. Substantial remittances also began to flow to the territory from agricultural labourers recruited for work in the United States. The official index was therefore used for 1938 and 1943 only. The indexes which we developed to include the rents of the other dwellings were employed to deflate the 1950 and 1952 current year values (*6*, pp. 29-31). The final indexes used were:

Year	Index
1938	97 (by graphical extrapolation)
1939	100
1943	115
1950	161
1952	167

Or, shifting them to 1950 = 100, we get:

Year	Index
1938	60
1943	72
1950	100
1952	104

All Other Services

This sector was deflated by the official cost-of-living index for all items. It was a question whether the rent index should be excluded. In view, however, of the fact that the gross domestic product that arose in the real estate, fire and other insurance, legal, and other services was not unassociated with rents, and therefore prices of dwellings, it was decided to use the official index in its complete form. This index moved as follows (shifted to 1950 = 100):

Year	Index
1938	37 (by graphical extrapolation)
1939	39
1943	61
1950	100
1952	127

A point to be made is that the estimates of the increase in the real product between 1938 and 1952 must be regarded as likely to be on the low side rather than on the high side. This is so because of the number of years that elapsed. Productivity per unit of materials or other input probably increased in the fourteen-year period. But this probability must not be exaggerated. For, in respect of many agricultural crops, both export crops and crops like ground provisions for local consumption, it is learnt from agricultural experts that the assumption of constant productivity is not unrealistic. There is no evidence that circumstances were appreciably different in regard to the service industries.

What kind of picture of real product changes in the economy should we have obtained if we had mechanically applied the official cost-of-living index as a deflator?

The average official indexes for the year involved were as follows:

Year	Index (1939 = 100)
1938	(88)
1943	156
1950	257
1952	327

The index for 1938 was estimated by a simple graphical projection since the objective did not appear to justify detailed statistical labour. The application of these indexes to the current year values of the gross domestic product for each of the years gave the values in the third row for each industry group in the table. Actually, the above indexes were shifted to base 1950 = 100. Thus, we have:

Year	Index (1950 = 100)
1938	34
1943	61
1950	100
1952	127

Using these indexes, we now get the impression that the real growth of the island's economy from 1938 to 1952 was only 29 per cent, instead of the 40 per cent obtained by the more discriminating methods previously described. Which of these is likely to be nearer the true rate of expansion is probably best appreciated by brief analyses of the changes in the values of a few individual industry groups, as indicated by each of the two different series, and then referring to a few independent studies or sources of information.

When we deflate with the official index (see Table 4) the story told by the product values of sugar cane cultivation is that this industry declined, by as much as 20 per cent, from 1938 to 1943. A small decline is registered also for sugar manufacturing. On account, however, of the high standard of the organization of the sugar industry, and studies made of it by public commissions and committees due to its importance, there is a good deal of accurate quantitative and other information available to us. According to all of this information, the sugar industry recorded an important gain rather than a substantial loss in that five year period. Reduced world supplies during the years of the second World War provided greater sales opportunities for the entire West Indies. Consequently, The Sugar Industry Commission, Jamaica, 1944-45, could report a 10 per cent increase in sugar cane produced by the estates or companies in 1943 compared to 1938-39, and a 120 per cent increase in the cane produced by cane farmers and sold to estates. Sugar factories showed an output of sugar by weight that was 40 per cent greater than the 1938 or 1939 output *(5)*. The 1938 output was almost exactly equal to that for 1939. According to the same source, the by-products, rum and alcohol, almost doubled in physical quantity in the same half decade. And finally, the Commission reported that the total net profits on canes, sugar and rum produced by the estates rose from £0.18 million to £0.22 million, or by nearly 25 percent in the 5 years. We are informed by the Sugar Manufacturers' Association (Jamaica) Ltd. that the total payroll rose steadily over those years on account of increases in wage rates as well as in numbers of persons employed; and that the prices of machinery rose in that period, and therefore depreciation increased on replacements as well as on account of the factory improvements that occurred. The conclusion is inescapable that use of the official cost-of-living index to deflate this sector gives a very misleading impression of the trend of development.

The logical explanation of so serious a divergence is, of course, that the official index showed a considerably greater rise than did the price of sugar and sugar cane in the period. When we recall that 90 per cent of the total island sugar output was exported even in 1938, before the expansion, it will be expected that the price of sugar outside Jamaica was far more important

TABLE 4. GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRIAL ORIGIN DEFLATED BY THE OFFICIAL COST OF LIVING INDEX,[a] 1938, 1943, 1950 AND 1952. (Values in millions of pounds sterling)

Industrial Group	1938		1943		1950		1952	
	Value	(%)	Value	(%)	Value	(%)	Value	(%)
1. Sugar Cane	2.6	(4.4)	2.1	(4.0)	4.0	(5.5)	4.0	(5.3)
2. Other primary	18.8	(32.0)	12.3	(23.2)	15.9	(22.0)	14.8	(19.0)
3. Sugar Manufacture	1.6	(2.7)	1.5	(2.8)	2.3	(3.2)	2.4	(3.2)
4. Other Manufacture	3.1	(5.3)	1.9	(3.6)	6.7	(9.2)	7.1	(9.2)
5. Electricity, gas, water and sewering services	0.4	(0.7)	0.5	(0.9)	0.7	(1.0)	0.7	(0.9)
6. Construction and installation	2.3	(3.9)	1.3	(2.5)	5.6	(7.7)	8.5	(11.2)
7. General government	3.5	(6.0)	3.1	(5.9)	4.8	(6.6)	4.7	(6.2)
8. Ownership of dwellings	5.4	(9.2)	4.8	(9.1)	4.2	(5.8)	3.6	(4.7)
9. All Other Services	21.6	(36.7)	25.6	(48.5)	28.3	(39.0)	30.4	(40.0)
Total	59.0	(100)	53.0	(100)	72.5	(100)	76.0	(100)

a The "Working Class" Index.

than its price in the island. The official index moved from 88 in 1938 to 156 in 1943 (or from 34 to 61). This almost 80 per cent increase much exceeds the 58 per cent rise in the price of sugar exported. But, the index rose 110 per cent from 1943 to 1952, the sugar export price, 160 per cent.

So great a misrepresentation of both the direction and extent of change in so important an industry should be enough to disqualify the use of the official cost-of-living index in this manner. But we would offer another example before abandoning our demonstration. The output of electricity in 1952 was nearly six times the 1938 quantity (*1*, Table 12). And total expenditures on electricity have exceeded total expenditure on the other utilities taken together. Yet, the increase in real product is given as less than 100 per cent by the use of the cost-of-living index as deflator. In this period, Colonial Development and Welfare loans and grants aided improvements in both water and sewering services. It was not only the preponderating electricity segment that expanded. And since, as shown above also, electricity prices actually declined between 1938 and 1943, deflation by a rising index distorts completely that half decade's trend for the public utilities. Similarly, since government salaries and wages lagged behind retail price rises in Jamaica, as in most other countries, the growth of this sector, too, is made to appear weaker. Thus while it is not claimed that the method of deflation we have chosen for this study yields impeccably accurate results, it is nevertheless submitted that its results are likely to be at least less misleading.

But it is not only changes in the separate industry group values that are distorted by deflating with the cost-of-living indexes. It is to be observed that the use of the latter index presents the real total output for the year 1943 as 10 per cent less than for 1938, whereas the input and output valuation method shows practically no change in the total between the two years. Consequently the use of the official index suggests a 36 per cent increase

from 1943, whereas the other method indicates a rise of only 23 per cent. On the other hand, the latter method indicates twice as much growth since 1950 as does the use of the official index.

TABLE 5 SHOWING GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN.

X. At current year prices;
Y. Deflation by valuation of output or input at base year prices;
Z. Deflation by applying the official cost-of-living index.

(Values in millions of pounds sterling)

Industrial Group		1938		1943		1950		1952	
		Value	(%)	Value	(%)	Value	(%)	Value	(%)
Sugar cane	X.	0.9	(4.5)	1.3	(4.0)	4.0	(5.5)	5.0	(5.2)
	Y.	2.0	(3.4)	2.8	(4.7)	4.0	(5.5)	4.0	(4.9)
	Z.	2.6	(4.4)	2.1	(4.0)	4.0	(5.5)	4.0	(5.3)
Other primary	X.	6.4	(31.6)	7.5	(23.2)	16.0	(22.0)	18.8	(19.4)
	Y.	22.8	(39.0)	16.9	(28.6)	16.0	(22.0)	19.1	(23.2)
	Z.	18.8	(32.0)	12.3	(23.2)	16.0	(22.0)	14.8	(19.0)
Sugar manufacture	X.	0.5	(2.5)	0.9	(2.8)	2.3	(3.2)	3.1	(3.1)
	Y.	1.0	(1.7)	1.5	(2.5)	2.3	(3.2)	2.3	(2.8)
	Z.	1.6	(2.7)	1.5	(2.8)	2.3	(3.2)	2.4	(3.2)
Other manufacture	X.	1.1	(5.5)	1.2	(3.7)	6.7	(9.2)	9.0	(9.3)
	Y.	2.5	(4.3)	2.5	(4.2)	6.7	(9.2)	7.6	(9.2)
	Z.	3.1	(5.3)	1.9	(3.6)	6.7	(9.2)	7.1	(9.2)
Electricity, gas, water	X.	0.1	(0.5)	0.3	(0.9)	0.7	(1.0)	0.9	(0.9)
	Y.	0.1	(0.2)	0.4	(0.7)	0.7	(1.0)	0.8	(1.0)
	Z.	0.4	(0.7)	0.5	(0.9)	0.7	(1.0)	0.7	(0.9)
Construction	X.	0.8	(4.0)	0.8	(3.0)	5.6	(7.7)	10.8	(11.1)
	Y.	2.5	(4.3)	1.5	(2.5)	5.6	(7.7)	8.4	(10.2)
	Z.	2.3	(3.9)	1.3	(2.5)	5.6	(7.7)	8.5	(11.2)
General Government	X.	1.2	(5.6)	1.9	(5.8)	4.8	(6.6)	6.0	(6.2)
	Y.	2.9	(5.0)	3.8	(6.4)	4.8	(6.6)	5.2	(6.3)
	Z.	3.5	(6.0)	3.1	(5.9)	4.8	(6.6)	4.7	(6.2)
Ownership of dwellings	X.	1.9	(9.4)	2.9	(9.0)	4.3	(5.8)	4.6	(4.8)
	Y.	3.1	(5.3)	4.1	(6.9)	4.3	(5.8)	4.4	(5.3)
	Z.	5.4	(9.2)	4.8	(9.1)	4.3	(5.8)	3.6	(4.7)
All other services	X.	7.3	(36.2)	15.0	(48.0)	28.3	(39.0)	38.6	(40.0)
	Y.	21.6	(37.0)	25.5	(42.8)	28.3	(39.0)	30.4	(37.0)
	Z.	21.6	(36.7)	25.5	(48.5)	28.3	(39.0)	30.4	(40.0)
Total	X.	20.2	(100.0)	32.4	(100.0)	72.5	(100.0)	96.8	(100.0)
	Y.	58.5	(100.0)	59.0	(100.0)	72.5	(100.0)	82.2	(100.0)
	Z.	59.0	(100.0)	53.0	(100.0)	72.5	(100.0)	76.0	(100.0)

Table 6 shows quantities of the principal agricultural commodities produced over the period, and Table 7 shows the principal exports for the years. These, it will be observed, support the trend of the *real* product series of the primary sector as estimated by the method suggested in the preceding pages.

TABLE 6. PHYSICAL QUANTITIES OF MAIN AGRICULTURAL, FISHING, FOREST AND MINERAL COMMODITIES.

Commodity	Unit of Quantity	1938	1943	1950	1951	1952
Annatto	1,000 lbs.	1,105(a)	850	842	635	674
Index		131	101	100	75	79
Bananas*	1,000 stems	33,637	11,700	8,442	4,900	5,944
Index		400	139	100	58	70
Bauxite and Alumina	1,000 tons	nil	nil	nil	nil	413
Index		—	—	—	—	—
Bitter Cassava	1,000 lbs.	N.A.	20,000	109,430	111,540	113,460
Index			18	100	102	104
Cattle	No. of head	35,726(c)	28,200(d)	48,829	46,444	47,438
Index		73	58	100	95	97
Citrus fruit	1,000 boxes	1,150	1,000	1,589	1,040	1,255
Index		72	63	100	65	79
Cocoa	1,000 lbs.	5,300	6,850	4,704	4,950	4,655
Index		112	144	100	104	98
Coconuts	1,000 nuts	110,000	158,000	102,000	95,000	90,000
Index		108	155	100	93	88
Coffee	(e)	11,200,000(f) lbs.	7,500,000 (lbs. coffee beans)	470,000	396,000 boxes cherry	480,000 coffee
Index		—	—	—	—	—
Corn	1,000 lbs.	N.A.	26,880	38,750	38,000	37,070
Index		—	70	100	98	96
Eggs	1,000 doz.	N.A.	1,500	1,800	2,200	1,983
Index		—	83	100	122	110
Fish	1,000 lbs.	2,100	5,600	12,000	11,500	12,000
Index		17	47	100	96	100
Ginger	1,000 lbs.	2,931	2,559	2,970	3,200	3,300
Index		99	86	100	108	111
Honey	1,000 lbs.	N.A.	1,800	950	1,600	520
Index		—	189	100	165	53
Kolanuts	1,000 lbs.	N.A.	1,200 (g)	1,225	800	600
Index		—	98	100	65	49
Milk (fresh cows')	1,000 galls.	7,041(a)	6,530(h)	7,200	7,360	7,530
Index		98	91	100	102	105
Miscellaneous vegetables*	1,000 lbs.	N.A.	100,000	158,000	145,000	147,870
Index		—	63	100	92	94
Paddy	long tons	N.A.	2,280	4,450	5,150	6,145
Index		but almost nil	51	100	116	138
Pigs	No. of head	50,000(c)	50,000(c)	39,403	24,674	21,807
Index		127	127	100	63	55
Pimento	1,000 lbs.	8,677	5,830	4,500	7,500	6,275
Index		193	129	100	165	139
Poultry	1,000 lbs.	N.A.	660	600	650	600
Index		—	110	100	108	100
Pulses*	1,000 lbs.	N.A.	44,800	25,250	23,210	26,240
Index		—	177	100	96	104
Rootcrops*	1,000 lbs.	533,000(a)	585,000(b)	657,000	636,000(j)	614,000(j)
Index		81	89	100	97	93
Sarsaparilla	1,000 lbs.	N.A.	100	420	380	410
Index		—	24	100	90	98
Sisal, Straw, etc.	1,000 lbs.	560	200	2,850	3,250	3,700
Index		20	7	100	114	130
Sugar cane*	1,000 long tons	1,270(a)	1,800	2,560	2,501	2,549
Index		42	70	100	98	99
Tobacco	1,000 lbs.	1,430	2,000	2,000	1,550	1,540
Index		71	100	100	77	77
Wax (bees)	1,000 lbs.	N.A.	30	19	26	9
Index		—	158	100	137	48

See p. 56 for notes.

TABLE 7. Exports of Specified Domestic Products for 1938, 1942, 1950 and 1952.

Commodity	Unit	Quantities 1938	Quantities 1942	Quantities 1943	Quantities 1950	Quantities 1952	f.o.b. values (£'000) 1938	f.o.b. values (£'000) 1942	f.o.b. values (£'000) 1943	f.o.b. values (£'000) 1950	f.o.b. values (£'000) 1952
Cocoa, raw	1,000 lbs	5,282	4,689	4,830	2,429	473	47	106	109	204	61
Cocoa, prepared	1,000 lbs	nil	neg.	neg.	1,809	4,651	nil	neg.	neg.	212	688
Coffee, raw	1,000 lbs	9,462	5,305	4,194	2,972	2,493	133	140	113	341	356
Coffee, prepared	1,000 lbs	neg.	neg.	neg.	761	503	neg.	neg.	neg.	88	68
Bananas	1,000 stems	23,811	1,347	289	5,773	4,554	2,920	273	41	2,116	1,887
Oranges and grapefruit	1,000 boxes	490	14	neg.	408	119	135	7	neg.	418	152
Fruits and nuts, preserved or prepared	1,000 lbs	neg.	neg.	neg.	6,360	22,772	neg.	neg.	neg.	176	881
Fruit juices	1,000 galls.	69	N.A.	N.A.	1,256	709	4	N.A.	N.A.	607	492
Citrus pulp and orange oil	1,000 lbs	N.A.	36,795	differently classified			N.A.	435	differently classified		
Coconuts	1,000 nuts	33,415	16,632	27,015	33	8	84	94	118	neg.	neg.
Ginger	1,000 lbs	2,931	1,845	2,519	2,589	3,045	51	125	125	341	262
Goatskins	1,000 lbs.	173	164	208	161	147	13	16	17	53	29
Honey	1,000 lbs	1,866	1,411	1,405	876	434	18	30	33	25	19
Logwood Extracts	1,000 cwt.	16	25	33	33	19	51	78	96	182	106
Pimento	1,000 lbs	8,677	3,978	5062	4,420	4,491	207	212	237	291	418
Tomatoes, fresh	1,000 lbs	neg.	neg.	neg.	9,557	817	2	neg.	neg.	201	40
Tomatoes, tinned and bottled (incl. juice)	1,000 lbs	nil	nil	nil	1,521	1,864	nil	nil.	nil	54	82
Annatto	1,000 lbs	884	748	814	674	539	10	7	10	42	60
Molasses and syrups	1,000 lbs	nil	N.A.	N.A.	6,522	80,248	nil	N.A.	N.A.	192	960
Rum	1,000 galls	900	415*	413	2,363	1,658	248	380	462	1,559	1,241
Sugar	1,000 tons	105	128	141	222	199	860	1,621	1,832	6,051	7,030
Straw hats, etc.	—	nil	N.A.	N.A.	N.A.	N.A.	nil	N.A.	N.A.	76	73
Cigars	1,000 lbs	32	113	157	222	273	17	95	120	564	582

'Neg.' designates negligible quantity or value.

'N.A.' means not available.

* To this must be added 1,394,000 proof gallons valued £557,000 sold abroad but not actually shipped in 1942.

Source – Jamaica, Department of Statistics, *External Trade of Jamaica*, annual reports for calendar years 38, 1942, 1950 and 1952. (Kingston: The Government Printer, 1939, 1943, 1951, 1953.)

Notes to Table 6.

* The contributions to the gross domestic product at factor cost which were made in the year 1950 by the items marked thus, *, totalled £14,475,000, and amounted to 90 per cent of the total gross product contributed by all agricultural, fishing, forestry and mining activity.

(a) Most of the estimates for the years 1938 and 1943 were made by Miss Phyllis Deane and the Department of Statistics of Jamaica, respectively. But the estimates marked thus (a), were made by the writer, in the absence of figures from these estimators.

(b) The root-crop estimate which was made by the Department of Statistics in 1948 was 999,136,000 lbs. In 1954, we were advised by the Department to reduce this to 9/16 of the figure, on the ground that the Department's original estimate implied a consumption of 16 lbs. *per capita* per week, which was far too high. A *per capita* consumption of 9 lbs. per week was said to be much more likely.

(c) This figure is the estimated number of animals slaughtered. Apparently, no estimate was made of the change in the size of the herd in the year.

(d) The Department of Statistics gave the estimated quantity as 13,000,000 lbs. The conversion ratio used here is 10,671,000 lbs. beef = 23,059 head, which was obtained from the unpublished report of the Livestock Clearing House on slaughterings in Kingston and rural Jamaica.

(e) Unfortunately, even official or government statistics are given in varying units.

(f) Presumably, coffee beans.

(g) This estimate was given as 400,000 quarts.

(h) The original estimate of the Department of Statistics was 5,000,000 gallons. In the light of the information for these earlier years given by the subsequently published *Sample Survey of Condensery Suppliers*, 1951-1952 (Department of Agriculture, 1952), the higher figure is used here.

(i) This estimate was given as 80,000 bushels.

(j) Allowance has been made for the effects of the 1951 hurricane.

References

1. Department of Statistics (1955). *Digest of Statistics*, No. 12, December, 1952. Government Printer, Jamaica.
2. Department of Statistics (1955) *Digest of Statistics*, No. 13, December, 1950, p. 12. Government Printer, Jamaica.
3. Department of Statistics (1956) *Survey of Business Establishments*, 1954. Government Printer, Jamaica.
4. *Estimates* for the Years Ending 31 March, 1940, 1945, 1952, 1954. Government Printer, Jamaica.
5. *Report of the Sugar Industry Commission*, 1944-45. Government Printer, Jamaica.
6. THORNE, Alfred P. (1955) "Size, Structure and Growth of the Economy of Jamaica", Supplement to Vol. 4, No. 4, *Social and Economic Studies*,, University College of the West Indies, Jamaica.

Accelerated Development with a Minimum of Foreign Aid and Economic Controls

By

R. W. Lindholm

This paper has been developed to consider a policy presented as an answer to the question: Would it be possible to reduce economic controls in free underdeveloped countries and their need for foreign government aid without decreasing, and perhaps increasing, the rate of development?

The policy selected for testing is entirely a domestic policy of the underdeveloped country. It consists of three interrelated points:

1. A money supply increasing less rapidly than productivity passing through the market place; i.e., falling prices.[a]

2. An active government bearing a considerable portion of the burden of investment in power, transportation, education, and the like; i.e., in social capital and primary industries.[b]

3. A tax programme with a minimum price push impact and which causes a minimum siphoning off of profits; i.e., land and gross receipts taxes.[c]

This policy would accelerate development through expansion of investment. The way in which it would take place is based on three groups of assumptions:

[a]Price stability is considered a neutral monetary policy which is not enough to satisfy the needs of a country in a hurry which therefore wishes to utilize completely every type of help available. To support the position that price stability actually means neutral money, i.e., that money exerts neither a positive nor a negative influence, I can only refer to the vast amount of economic theory that has assumed prices to be constant and has therefore considered value in real terms, which means that these theorists have gone behind the veil of prices in order to isolate the problems to be considered and "assume out" the effect of changes in the value of money.

In this paper inflation is considered a destructive monetary policy and quite unacceptable. This position cannot be developed at this time, and I must rely upon reference to authoritative statements. For example, Eugene R. Black, President of the International Bank for Reconstruction and Development, stated at the 1955 Annual Meeting that "Economic expansion can all too easily bring about monetary inflation that is fundamentally the enemy of economic development, and in too many countries unwise economic policy has allowed it to do so."

When referring to the relation of inflation to economic development, Norman S. Buchanan and Howard S. Ellis (*1*, p. 390) write: "It may therefore be necessary for foreign lending authorities to refuse to lend without stipulations concerning the achievement of balanced budgets, restraint of credit, and so on, unless they are prepared to see the economic fruition of their loans destroyed by inflation and adverse foreign balances in the borrowing country."

[b]In the words of Everett E. Hagen, "In Japan, the Soviet Union, China, and India, the favorable event was the coming into power of a government eager to aid the transition" (*5*).

[c]The rapid industrial development of Puerto Rico has been particularly closely related to tax policy. See (*21*, particularly pp. 55-58 and 97-100).

(A) Privately controlled business and individuals will be able generally to control their affairs sufficiently to permit them to undertake attempts at maximizing their well-being within the framework provided by (1) government economic leadership activities and (2) shifts in prices and earnings as established relatively freely in the market place. The major exception to reliance on the signals established in the market place is that government initiative will follow a general economic development programme which will frequently vary from market-established priorities.[a] This group of assumptions also includes a government that (3) does not throw roadblocks in the way of private economic efforts.

(B) It is also assumed that productive investment in a low-per-capita-income country seeking economic modernization is dependent upon elements quite different from those dominant in capital-rich, democratic-capitalistic countries, such as the United States and Canada. The principal productive investment determinants in the type of country considered in this paper are assumed to be (1) *the ability of the government and other would-be domestic investors in productive capacity to commandeer domestic economic resources* and (2) *the net inflow of capital from foreign countries.*[b]

(C) Because a programme of the type being tested must rely heavily on the signals of the market place, a final assumption must be made that government policy and public attitudes are basically pro-competition and anti-monopoly.

It is a positive programme, which does not dim the market signals, provides for government investment leadership, and which is helpful in facilitating B-1 and B-2.

When B-1 and B-2 are considered largely on the basis of their monetary and fiscal elements and the basic policy stated above, the following principal action concepts develop:

(In relation to commandeering of economic resources by domestic government and private resources).

1. The government must be able to gain control over economic resources (a) without the necessity of applying high tax rates difficult to administer and always discouraging to individual initiative[c] (policy point 3) and (b) without the use of inflation, with all its well recognized attendant difficulties (policy point 1).[d]

2. It must be possible for the government and private individuals to

aSee *(23)* for priorities established in government plans.

bC. G. F. Simkin *(20)* emphasizes the close relationship of the inflow of foreign capital to economic development.

cUrsula K. Hicks *(8)* points out that "on economic grounds a reduction in the taxation of profits should have a high priority if additional investment is needed."

dAlso, the 1955 Annual Report of ECAFE warns "that deficit financing might properly be used by government . . . but that such a policy should be adopted with extreme caution lest inflation, with all its undesirable social and economic consequences, should result" *(22)*.

sell securities, primarily of the debt type, to domestic savers and/or institutions holding savings (policy point 2 and assumption B-1).[a]

3. Private investors in secondary and tertiary industries must enjoy a maximum benefit from a correct estimate of market trends and the introduction of efficient production procedures (policy point 3 and assumption A-2, 3).[b]

(In relation to inflow of foreign investment)

1. The cost of living must be kept down so that wage levels permit low production costs in relation to average world costs (policy points 2 and 3, and assumption B-2).[c]

2. Taxes on profits must be considerably below those prevailing in developed countries (policy point 3 and assumption B-2).[d]

3. Easy repatriation of earnings must be assured (assumption A-3 and B-2).[e]

The remainder of this paper will be devoted to demonstrating that the goal, the policy, and the assumptions constitute a realistic programme possessing a high degree of economic inner consistency and feasibility.[f]

The first policy point provides for conditions leading to falling domestic prices. Also, monetary and fiscal conditions consistent with this policy stimulate the type of activity assumed in B-1 and B-2. This economic relationship is to a considerable extent fundamental to answering the question posed in the first paragraph and is, therefore, legitimately considered first.[g]

[a]Professor Howard S. Ellis puts the point this way: "For any government, but especially for the government of rapidly developing countries, a broad and receptive market for government bonds with the saving public affords an invaluable, indeed an almost indispensable basis for domestic finance without inflation" (*1*, p. 307).

[b]Basically this assumption requires governments to resist the temptation to increase tax collections from the most profitable or to permit labour substantially to increase wage payments in this sector of the economy and to resist pressures for a rapidly expanding social security programme.

[c]In Puerto Rico, where industrial development has been very rapid, the average weekly earnings in manufacturing establishments has risen from \$18.18 in 1947 to \$28.90 in 1957. In the United States average weekly earnings of workers in manufacturing establishments in 1957 was \$82.80. The mechanization in Puerto Rico manufacturing plants is frequently as modern as that existing in the United States and sometimes more modern.

[d]It appears that profits necessary to attract foreign outside investment to a country as well situated as Puerto Rico must be in the neighbourhood of 30 per cent (*21*, p. 113).

[e]Business people continually emphasize the desirability of convertibility of foreign currencies. Of course, some sort of a guarantee of convertibility is necessary if foreign private investment is to be made. *Newsweek (26)* in an article titled "What Worries the Overseas Investor Most", lists as fourth "Currency problems, including restriction on the right to withdraw earnings from the country or even to get back the original investment." This same situation was developed in a U.S. Department of Commerce study (*24*).

[f]Some may also consider the analysis to provide support for the political workability or unworkability of the policy selected for testing. This is not the purpose of the analysis and any conclusions of this type must be read into the study.

[g]David Felix, in what appears to be a careful consideration of the impact of inflation on profit margins in underdeveloped areas, as evidenced by available Western European data during the 16th, 17th, and 18th centuries, and some current analyses, is able to conclude that "Profit inflation does not appear to have been a major industrial stimulus either in the salad days of European industrialization or in newly industrializing countries today" (*4*).

Expansion of Productive Investment with Falling Prices

The use of a monetary and fiscal programme consistent with the policy being tested, plus assumptions introduced, causes the findings of conventional monetary analysis to be reversed. An increase of the desire for liquidity and a reduction of consumption expenditures become a stimulant of productive investment rather than a deterrent, and the possible deterrent to investment in commerce and real estate of falling profits through falling prices acts as a method of channeling monetary savings into necessary social capital and primary industries, and generally out of trading and capital holdings economically feasible only because of anticipated price increases.

A programme of investment in social capital and primary industries financed by the government can be financed out of domestic voluntary savings only if savers are willing to purchase government securities. Savers will not purchase government securities of the conventional type under conditions of inflation.[a] Gimmicks to change this relationship are not likely to be helpful.

Savings made when prices are declining are best used to purchase government bonds or kept in bank accounts and savings institutions. Savings used this way gain purchasing power and earn interest. Savings invested in things only retain purchasing power, and savings held as cash would not earn interest. Also, interest rates will fall because they need not compensate for rising prices. This will cause outstanding securities to rise above par. This makes it possible to make new offerings of government or private securities at a lower interest rate, with every likelihood that the new securities will be eagerly sought.

It follows also that as the government's investment programme begins to yield results, the power and transportation facilities and training institutions will be expanded and improved. In the type of situation under consideration, the lack of these facilities seems to be frequently a greater deterrent to the expansion of production than a shortage of markets and in many instances even the shortage of capital.[b]

This shift in the flow of savings will, of course, cause a large portion of the downward pressure on prices provided for in policy point 1. This effect is to be expected because of the expansion of the supply of goods on the market without an equivalent expansion of the money supply or the velocity of money. The impact will differ from that under previous price and policy conditions because investment will bring forth a constant stream of saleables and therefore each turnover of purchasing power encounters additional goods and services in the market place. This, of course, is much less the situation

[a]"Only a few Brazilian states or municipalities have the opportunity of financing expenditures in excess of revenues without direct recourse to bank credit, since the market for fixed interest obligations, including federal government bonds, has been weakened by the long inflation to such a degree that long-term bonds are not bought on a voluntary basis" (9).

[b]This point is frequently mentioned and is obvious on the face of it. C. N. Vakil and P. R. Brahmanand (25) are generally opposed to large-scale basic investment by the Indian government, but they do recognize the need for government action to provide external economies, which is, after all, a large portion of what is being considered here.

when the expenditure of savings is made in the way which best protects the economic position of the person under conditions of constant or rising prices.[a]

Also, downward price pressures of the type included in policy point 1 can be confidently expected as a result of increased monetization of the economy as it progresses.

Government Investment Expenditures

In the discussion of falling prices (policy point 1), it was necessary also to consider the role of government investment (policy point 2). Here where the major emphasis is on government investment, it will also be necessary to refer to the other two policy points.

Falling prices have been considered to be anathema to economic development.[b] Government investment expenditures are very important in preventing this development under the policy being tested.

Falling prices are usually expected to cause a reduction of economic activity because they

1. Increase the desire to hold money or assets stated in money terms and reduce the desire to hold things, and this
2. Decreases expenditures, particularly of the investment type, below income of the previous period, which, in turn,
3. Causes economic stagnation, unemployment, and a reduced national income.[c]

Sometimes the reason for the production reduction effect of falling prices is stated as a result of falling real and money profits arising from the stickiness of money wage rates. More often the argument is stated in the reverse as a principal basis for the stimulating impact on production to be expected from inflation (rising prices due to demand pull).[d]

The task of showing why falling prices, if experienced under the conditions of the type being examined, will hasten economic development is surprisingly simple and really involves the change of only one of the assumptions used when falling prices and economic stagnation are considered as but two sides of the same coin. This assumption is that falling prices reduce the total

[a]". . . the weakness of the market incentive for private investment . . . may help in some degree to account for the common observation that such domestic saving as does take place in underdeveloped countries tends to be used unproductively: hoarded, exported, or put into real estate" (*18*).

[b]In 1933 when there were 13 million unemployed in the United States, wholesale prices were 33 per cent lower than in 1929 when the nation enjoyed prosperity.

[c]This is based on the development of this subject in (*7*).

[d]This is the theme that W. Arthur Lewis uses constantly in developing "a case for inflation in currently underdeveloped countries." Professor Lewis is so entranced with the logic of the position he develops to show that a government's use of an expanded money supply to expand investment expands the total of investment within a low-per-capita-income nation that he is quite impatient with case studies which reveal the reverse effect. For example, in (*11*) he states: "In recent literature some naive investigators have professed to show that inflation does not increase capital formation by showing that in a number of places where inflation has occurred (notably in Latin America) capital formation has not increased."

of real expenditure; or when stated in terms of profits, that a fall of profits causes reduced investment and therefore unutilized savings. In the economic setting in which this economic analysis is developed, all the forces arising from falling prices that are assumed to exist when the forecast is for economic stagnation including that of falling money profits in the traditional profit areas of the type of economy under discussion, remain operative. However, the expectation is not economic stagnation because the impact of falling prices does not cause a drop of total real expenditures; instead, it provides the basis for an increase of real investment expenditures of the type which makes for expanded production, and this expansion of investment expenditures absorbs all resources released through the impact of falling prices [a]

Deflation is very helpful to a government seeking domestic savings to support public investment. It causes a desirable redirection of the savings flow while avoiding the use of administrative devices. The impact also strengthens democratic-capitalistic institutional arrangements and encourages the inflow of capital from foreign sources.

The savings flow induced by deflation is (1) an answer to the argument that printing press money (deficit finance) or very high taxes are needed if the government is to gain control of the resources required for economic development. By accomplishing the end, government control of resources without controls or high taxes, a general price decline is (2) an answer to the pleas for additional technical personnel to administer an economic control programme for certainly the purpose of an economic control programme is to avoid the injustices and disruption caused by the inflation arising out of the government's expansion of the money supply.

Under conditions of falling domestic prices (policy point 1), savings, for reasons mentioned above, flow readily into government securities and the quantity of savings is increased because postponement of private spending is encouraged, for future cost expectations are below current costs.

In the countries under consideration, persons with savings have been very prone to use them to purchase land, gold, inventories, or to make investments abroad.[b] The continuing basic reason for this has been a desire to preserve the purchasing power of their savings. Under falling prices this basic reason is eliminated, and the traditional uses of savings become unattractive.

It would seem that one important impact of this change would be the development of pressures for expanded agricultural production, for investment in idle or partially idle agricultural land would lose its profitableness. Another would be to make merchandising and investment in luxury apart-

[a]More than likely the factual relationship between falling prices and investment needs more exploration. For example, during the short period "from 1893 to 1896 the price level in Great Britain fell 45 per cent, in Germany 41 per cent, in France 43 per cent, and in the United States 39 per cent." (*12*). Also, U.U. Nef, in (*17*) points out that the thesis of E. J. Hamilton (*6*) and J. M. Keynes in his second volume of (*10*) that the fall in real wages was a prime cause of industrial development in Great Britain cannot be accepted.

[b]See footnote a, p. 61.

ment buildings less attractive. Both of these impacts, and others which could be mentioned, such as increased generality of the purchasing power of the domestic monetary unit which the reduction of controls would provide, would increase the drawing power of the high profits that have been available all along in manufacturing. These shifts would be intensified by the tax programme of policy point 3.

If the pressures arising from policy point 1 and assumptions A-2 and 3 and B-1 are correct and the above relationships arose, the result would be expansion of investment in production without the accompanying disruption, injustice, and economic waste involved in administering government economic controls and higher rates of taxation.[a]

Private Domestic Investment Expenditures

Under the policy selected for testing in this paper, private productive investment is stimulated in four major ways: (1) reduction of savings flow through falling prices (policy point 1), (2) the provision of primary and social capital (policy point 2), (3) the reduction of taxes on profits (policy point 3), and (4) inducements to foreign private investment arising from all three policy points.

The tax programme (policy point 3) is particularly important in its relationships to private investment. It was shown that the selected policy points 1 and 2 would channel savings and investment toward productive uses. Policy point 3 lends a hand and is of particular assistance in stimulating a more productive use of land resources.

However, policy point 3 has additional important functions.

For example, the lower tax on profits increases the return to the domestic private investor and would compensate somewhat for downward tendencies likely to arise from policy point 1. To the foreign investor the reduction of taxes on profits would provide a greater net gain because he would be less concerned with the domestic deflation. Therefore, the combined effect is to stimulate private investment. It would also be true that this type of a tax structure permits profit margins to do a more effective job of allocating investment resources.

A final and related consideration concerning policy point 3 is that it keeps profits in the hands of the people that have demonstrated a capacity to operate a profitable enterprise and a willingness to assume the risk that is so important in this use of funds.[b]

[a] James E. Meade (14) in writing about economic controls in Great Britain says: "To give central and local officials the daily task of handing out, on what must inevitably be to a large extent arbitrary considerations, pieces of paper called permits or licences of great value to the fortunate but limited number of recipients is to expose our fine and honourable public service to a strain which may in the end prove unbearable."

[b] Mr. Robert L. Garner, President, International Finance Corporation, in his address to the Second Annual Meeting of the Board of Governors of the International Finance Corporation (New Delhi, India, October 8, 1958), said: "The successful business man everywhere is accustomed to taking a chance, of risking his efforts and capital to take advantage of an opportunity to build his business and make a profit. Therefore, he responds most to those elements which make the opportunity more alluring and increase the possibilities of profit."

In the writing, theorizing, and "research" related to accelerated economic development of low-per-capita-income countries, two broad schools of thought have developed. The one which has been most influential, particularly where government economic leadership is accepted to be important, has considered high taxes as a desirable method of making savings (tax collections in excess of current expenditures) available for investment. The other school of thought has seen high taxes as discouraging investment through the reduction of incentives to assume investment risks and to make consumer purchases.[a]

Although the possibility of collecting taxes in excess of normal budgetary requirements and using the excess to finance government investment in new productive enterprises has had a theoretical appeal, its actual implementation has not been the rule.[b] The usual reason for the failure in implementation has undoubtedly been the difficulty of raising the quantities of tax revenues required except under conditions of a very productive foreign exploitation of a national resource; this, for example, has been the basic reason for the ability of the tax programme in Iraq and Venezuela to finance investment, but even under these very favourable conditions, the political and economic impact has been somewhat less than good.

All too frequently tax revenues have not been sufficient to finance regular government expenditure, to say nothing of desired government investment activity. Under these conditions, the outcome has usually been budgetary deficits, with the borrowings made possible through an expanded money supply.[c]

Another consideration reducing the desirability of using tax collections in the type of situation under consideration is that the high-tax-paying businesses often possess a monopoly position. It is understandable, if taxes must provide savings under these conditions, that governments might encourage monopoly, or at least not actively discourage it (violation of assumption C).

Private Foreign Investment Expenditure

Whether or not the policy being examined will provide an important stimulus to foreign investment must be a significant aspect of whether it is a desirable policy for an underdeveloped country seeking acceleration of its speed of development. It would seem that all three points of the policy combine to provide a very considerable stimulus.

[a]The programme of accelerated development advanced in this analysis would belong in "spontaneous order" of the dichotomy including also "deliberate order" developed in *(19)*.

[b]This is the situation to be expected when per capita annual incomes are apt to be around $100 and when the normal operations of government are so incompletely provided. In addition, the feudal powerful groups frequently control the government directly and/or indirectly. A. R. Burns (2) makes a comment relative to this point when he writes: "Taxes on land or the income from it . . . are often low, and such taxes have provided a declining proportion of all (underdeveloped) government income since 1938."

[c]Edward S. Mason *(13)* does not develop the point of failure of efforts to raise taxes greater than normal government expenditures, but he does raise the question of "whether this task lies within the capacity of democratic governments."

For example, policy point 1 (falling domestic prices) would be very helpful because it would make investment attractive prior to the development of an adequate domestic market. To make this possible is an important step in breaking through one of the circles of despair encountered in economic development literature.

The circle is of this sort: (1) Industrial development in a low-per-capita-income country is restricted because the domestic market for the products to be produced is inadequate. (2) A sufficient number of people with incomes adequate to buy the production is not possible until industrial development has provided productive work opportunities and the higher incomes that go with these opportunities. (3) Therefore, industrial development is impossible in low-per-capita-income and relatively small countries.[a]

Because large quantities of unemployed savings do not exist in the world today, investment from abroad is not likely to be forthcoming unless there is a considerable profit inducement.[b] Low cost of production is one very important way to assure these necessary large profits. In addition, the rate at which profits are taxed affects the profits available for distribution to foreign investors. Under most circumstances the use of taxes to provide investment funds from the government budget will be self-defeating; the tax rate will have to be so high that it will either force up domestic prices or remove the profit incentive to continue operations and expansion.

There is also another aspect of the policy being tested which impinges very directly on the attractiveness of the country to foreign investors. This has to do with the usefulness of the overall programme in providing assurance to foreign investors that earnings may be repatriated and that they will not encounter foreign exchange problems in the purchase of equipment and supplies.

Policy point 1 (falling domestic prices) reduces the attractiveness of imported goods generally, and particularly of imported goods for which there are acceptable domestic substitutes. Examples of imported products and services of typical low-capita-income countries for which the demand is likely to decrease with falling domestic prices are wheat flour, education, foreign travel, refined sugar, shoes, and gasoline. The effect of this development would be to make more foreign exchange available for other purposes and to reduce drastically the pressures for exchange controls which are so detrimental to good relations with foreign investors. In addition, when direct controls over the uses of foreign exchange become necessary to reduce the importation of consumer goods in order to make foreign exchange available to repatriate profits, other political and economic developments arise which are harmful to a development programme.[c]

[a]This has been a real problem in the development of efficient industrial production and is an important portion of the strength of the cartel and colonial development of European nations. The European Common Market and other steps toward regionalism and away from strict nationalism are new efforts aimed at elimination of the handicap (*3*).

[b]See footnote d, p. 59.

[c]Again, the argument cannot be developed. It is another position that has been developed by Professor Ragnar Nurske with which Professor Raymond F. Mikesell agrees (*15*).

In addition, a low-per-capita-income country becomes a more attractive place to reinvest earnings when low taxes on profits are combined with low production costs. The effect of this is to reduce the quantity of profits seeking repatriation. This tendency is accelerated if at the same time government economic leadership is expanding the quantity of social capital and through international agreements is reducing the difficulties encountered by domestic producers in entering foreign markets.[a] These agreements become much easier to negotiate when high import duties are not needed (1) to restrict consumer type spending or (2) to protect domestic producers from foreign goods produced under lower cost conditions.

The same reasons that would make a low-per-capita-income country utilizing the policy being tested a more attractive place to reinvest domestic earnings of both domestic and foreign companies, as was pointed out above, would also cause this country to be more attractive for new private foreign investment. This new foreign investment directly increases the availability of funds to meet repatriation demands while the encouragement of reinvestment and the reduced general import incentive due to change price interrelationships reduce the demand for foreign exchange. In addition, as previously mentioned, (1) the demand for foreign exchange is likely to be decreased because of (a) the increased incentive for money saving and (b) the reduced inventories due to the unprofitability of inventory speculation; and (2) the supply of foreign exchange is likely to be increased because of (a) the expansion of exports and (b) the expansion of foreign balances kept in domestic currency.

[a]Foreign private investment can be hastened by favourable tax treatment of profits and low costs, but the size of foreign investment is perhaps as dependent upon social and primary investment financed by the domestic government. This point is emphasized by Raymond F. Mikesell (*16*).

References

1. BUCHANAN, Norman S. and ELLIS, Howard S. (1955) *Approaches to Economic Development*. The Twentieth Century Fund, New York.
2. BURNS, A. R. (1955) Comparative Economic Organization, p. 696. Prentice-Hall, New York.
3. Chase Manhattan Bank (1958) *The New European Market*, July. New York.
4. FELIX, David (1956) "Profit Inflation and Industrial Growth", *The Quarterly Journal of Economics*, p. 462. August.
5. HAGEN, Everett E. (1957) *Economic Development and Cultural Change*. p. 208. April.
6. HAMILTON, E. J. "American Treasure and the Rise of Capitalism".
7. HANSEN, Alvin H. (1951) *Business Cycles and National Income*. W. W. Norton, New York.
8. HICKS, Ursula K. (1954) *British Public Finances 1880-1952*, p. 877. London University Press.
9. Institute of Inter-American Affairs, Foreign Operations Administration (1953) *The Development of Brazil*, p. 39. Washington.
10. KEYNES, J. M. *Treatise on Money*. London.
11. LEWIS, W. Arthur (1955) *The Theory of Economic Growth*, p. 405. George Allen and Unwin, Ltd., London.
12. LINDHOLM, Richard W., et al. (1954) *Principles of Money and Banking*, p. 59. Norton, New York.
13. MASON, Edward S. (1958) *Economic Planning in Underdeveloped Areas*, p. 49, Fordham University Press, New York.

14. MEADE, James E. (1949) *Planning and the Price Mechanism*, p. 7. Macmillan, New York.
15. MIKESELL, Raymond F. (1954) "Economic Doctrines Reflected in U.N. Reports", *American Economic Review*, p. 580. May.
16. MIKESELL, Raymond F. (1957) *Promoting United States Private Investment Abroad*. National Planning Association, Washington.
17. NEF, U. U. (1954) "Prices and Industrial Capitalism in France and England, 1540-1640" in *Essays in Economic History*, edited by E. M. Carus-Wilson, pp. 108-134. Edward Arnold, London.
18. NURSKE, Ragnar (1952) "Some International Aspects of the Problem of Economic Development", *American Economic Review*, p. 574. May.
19. POLANYI, Michael (1951) *The Logic of Liberty*, pp. 154-155. University of Chicago Press.
20. SIMKIN, C. G. F. (1951) *The Instability of a Dependent Economy*, p. 52. Oxford University Press, London.
21. STEAD, William H. (1958) *The Economic Development of Puerto Rico*. National Planning Association, Washington.
22. U.N. ECAFE (1955) *Annual Report* (Economic and Social Council, Supplement No. 5, p 24, par. 232).
23. United Nations (1955) *Processes and Problems of Industrialization in the Underdeveloped Countries*, pp. 70-73.
24. U.S. Department of Commerce (1954) *Factors Limiting U.S. Investment Abroad*. Part 2. Washington.
25. VAKIL, C. N. and BRAHMANAND, P. R. (1956) *Planning for an Expanding Economy*, p. 297. Vora and Co., Bombay.
26. "What Worries the Overseas Investor Most", *Newsweek*, (1956), November 5th.

Note by Prof. W. A. Lewis

Mr. R. W. Lindholm attributes to me the opinion that rising prices always produce an increase of the rate of investment. I have never held this proposition, and have, on the contrary, attacked it in several places, including the reference which he cites in part. My proposition is that an increase in the rate of investment (as a percentage of national income) is nearly always associated with rising prices. This is so whether one examines Juglar, Kuznets or Kondratieff fluctuations, or take-off periods, industrial revolutions, and similar historical phases. Mr. Lindholm does not seem to understand that this is a different proposition. It is also not a theoretical proposition, but a statement of historical fact which can be disproved only by adducing relevant historical cases. (Examples of cases where prices rose without an increase in the rate of investment are irrelevant). I have tried to find reasons which explain this historical fact. In trying to controvert the reasons, unfortunately, he is so carried away that he overlooks the fact.

The Beneficial Effects of Devaluation in Some Underdeveloped Economies

By

Alexander Rubner.

I.

The implicit assumption in most of the models constructed by those who have discussed the possible effects of devaluation upon the Balance of Payments or the Terms of Trade, is that the *volume of the imports of country A is more or less equal to the volume of its exports.* Only two examples will be quoted, though many more economists could be cited: Meade *(4)* says that ". . . a 10 per cent depreciation of B's currency is equivalent to a 10 per cent duty on B's imports, the revenue from which is used to finance a 10 per cent subsidy on B's exports". A. P. Lerner *(2)* enunciates the proposition that "where the elasticity of demand for imports is just as much above zero as the elasticity of demand for exports is below unity, the sum of elasticity is unity". To measure the efficaciousness of a devaluation, Lerner examines whether the sum of these two elasticities is more or less than unity. This, he says, will indicate what movement in the import or export balance will occur in consequence of the devaluation. The reasoning in both Meade's and Lerner's arguments can only be followed if one assumes the import and export volumes to be of the same magnitude.

The theories concerning the conditions under which alone the depreciation of a country's currency is justified, have often been applied mechanically to underdeveloped economies. Consequently, Alexander's view *(1)* that the latter type of country will redress its negative balance of payments less painfully by selective import restrictions rather than by an outright devaluation, has enjoyed wide support and is the basis of advice proffered to several governments by the International Monetary Fund. Mikesell *(6)* has formulated this attitude as follows: "Until countries have achieved a reasonable amount of internal stability, an improvement in the trade balance through devaluation would be quickly dissipated by price rises".

Two fundamental questions should be posed. Firstly, how far can the traditional theories, which are derived mainly from the commercial transactions of the more developed countries, be applied to the position of those underdeveloped economies which are wrestling with the problem of adjusting the external value of their currencies? Secondly, in judging the meritoriousness of a possible devaluation, most of the orthodox theories largely restrict themselves to its projected effect on the balance of payments, i.e. they concen-

trate their attention of the performance of a currency depreciation in relation to the stimulation of additional exports and/or the checking of imports. It is the contention of this writer that some devaluations in underdeveloped countries may not achieve the aim of correcting an adverse balance of trade – and are therefore likely to be censured by most economists – *but yet prove a boon to the country by engendering an increase in the real national product.*

II.

Some, or all, of the following conditions must be fulfilled in order that a devaluation which is unable to improve the balance of payments, will nevertheless engender other beneficial results that make its implementation worthwhile:

1) There is an appreciable gap in the balance of merchandise trade.

2) Exchange control prevails and the supply of foreign currency to finance imports lags substantially behind the demand. The foreign exchange controllers, who are averse to using the auction system, must consequently employ their discretionary powers in order to make qualitative decisions in the rationing of the available foreign currency. (Considerations of 'essentiality' and 'measure to augment investments' are likely to assure certain import items a priority rating and imports regarded as 'luxuries' or 'likely to impede home industry' are discriminated against or excluded altogether).

3) The major sources of earned foreign currency income are few in number and are derived from the export of a few articles (or the provision of a service), the marketing of which is handled by a cartel organization or a (government-controlled) monopolistic trading body. The latter type of organization offers these standardized goods in the world markets for *sale only against foreign currency.* Apart from those goods, therefore, that can physically be smuggled out of the country, no foreign buyer can purchase them with local currency.

The remuneration paid by these marketing organizations to the local manufacturer or grower in local currency for a given quantity of goods is often unaffected by the official exchange rates; with official support the link between the external and internal value of these exports is broken by the operation abroad of price discrimination, multiple exchange rates and/or *variable* export subsidies. (A devaluation will therefore not lead to appreciable changes in the foreign currency earnings of these commodities, which neither before nor after the event, have an effective price in local currency for the foreign buyer).

4) Many underdeveloped countries obtain a relatively large foreign currency income through unrequited political 'loans', military aid, philanthropic support, grants-in-aid, etc. (These usually flow directly to the government but even when given to non-government bodies, almost all

of such income does not fluctuate with changes in the official exchange rate as the size of the donation or loan is formulated in terms of the donor's or lender's currency; the supply curve of this type of foreign currency income is therefore independent of changes in the external value of the currency of the receiving country).

5) There are unemployed resources.

6) Cf. also condition 2). In the equilibrium state that would prevail after the abolition of the important economic controls, including those on the movement of goods and foreign currency, many of the products now produced in the 'sheltered' underdeveloped countries would in fact be imported. In this sense a large portion of the resources are employed on tasks of manufacturing "import replacements" and it is assumed that these resources are not sticky and can in fact move at great speed – dependent on the policy of the import regulators – from the making of one type of "import replacement" to another.

III.

Israel is an extreme case of an underdeveloped economy which fulfils all the above conditions. Its balance of trade is topsy-turvy and seems to be rivalled only by that of Jordan and Panama. During Israel's first decade merchandise exports provided it with only 10 per cent of its net foreign currency income *(8)*. The country depended therefore overwhelmingly upon the political and charitable aid provided – directly to the government or to semi-government agencies – by Jewish well-wishers and the U.S. and the (Western) German governments. About two-thirds of the country's merchandise export earnings can be attributed to the sale of citrus which is handled by a marketing body that only sells against non-Israeli currencies. Finally one should add that the pattern of Israeli price and wage structure is geared to immediate adjustments as the result of changes in import prices; the size of the import bill is equivalent to one-half of the national income.

Most of the foreign advisers of the Israeli government[a] warned against devaluation; in the opinion of these orthodox critics a currency depreciation would not improve the balance of payments but would give a powerful impetus to the latent inflationary trend; they suggested that selective import licensing and the payment of high export subsidies would be more efficacious measures. The authorities in Jerusalem did not heed this advice and, within less than a decade, devalued the Israeli Pound – the I£ – on no less than three occasions and are planning the fourth devaluation for the end of 1960. The first three devaluations were actually very successful – by 58

[a]Especially the pleas of a group of American economists — B. R. Bell, O. Gass, A. P. Lerner and others — who acted as the collective advisers of the Israeli government under the agency name of E.A.S.

per cent in the language of the Polak-Chang *(7)*[a] formula – as the domestic price level rose less than the degree of the currency depreciation. (If one takes into account that during this period the purchasing power of most of the world's currencies was also reduced, the devaluation of the I£ is seen in an even more favourable light).

ISRAEL'S DEVALUATIONS

	Effective Exchange Rate of $ to I£	Index of Preceding Column	Israel's Cost-of-Living Index	U.S. Cost-of-Living Index
June 1949	0.450	100	100	100
June 1956	2.250	500	(254)	(116)
Dec. 1957	(2.500)	(556)	269	122

The effects of the three devaluations can be studied by comparing the movements of the exchange rates, from June 1949 to June 1956, with the rise of the Israeli cost-of-living index from June 1949 to December 1957. In this manner allowance is made for a timelag of eighteen months so that the full secondary and tertiary effects of the devaluations can work themselves out on the internal price level.

Now in retrospect it is easy to explain why Israel's devaluations were of such great benefit to its economy. Admittedly, the devaluations did not diminish the internal demand for the (almost inelastic supply of) available foreign currency and did not increase this supply by stimulating increased exports. But the relative cheapening of the I£ in terms of foreign currency led to a fuller utilization of unemployed resources – particularly imported machinery – and permitted the "resource allocation effect" to operate. The latter term is borrowed from Machlup *(3)*, who uses it to suggest that a devaluation may increase the real national income by rearranging the factors of production and thus in turn, induce augmented exports. For the Israeli scene the "resource allocation effect" should be employed in a more restricted sense, i.e. to describe the re-shuffling of factors of production engaged upon the making of import-replacements in such a way as to increase the real size of the national product.

Israel's exchange control has operated, more extremely than that of most other underdeveloped countries, in distorting the price-and-cost structure of its resources relative to imported articles; hence the benefits of devaluation were so relatively large. But provided the conditions outlined in the previous section prevail, Israel's specific experience might well be regarded to have a wider significance for other underdeveloped economies.

[a]Let us assume that the dollar has a constant value and the currency of country A, in terms of the dollar, is devalued by 50 per cent. The Polak-Chang formula registers this devaluation by a movement of the index of currency A from its base of 100 (before devaluation) to 200 after the 50 per cent devaluation). If the domestic price level of country A rises subsequent to the devaluation by 100 per cent, the "success" of the devaluation is nil; if the price level does not rise at all, the "success" is 100 per cent; if the price level rises, say, by 40 per cent the "success" is 60 per cent.

IV.

The following is an attempt to provide an arithmetic illustration for the above proposition that a devaluation may, in certain circumstances, increase the real value of the national product. The constructed model of an underdeveloped country A — with a currency MO — makes a number of highly unrealistic assumptions but it was thought that this might simplify its presentation. Two preliminary observations must be explicitly declared. Firstly, in a country the price-and-cost structure of which is severely distorted by import restrictions (and multiple exchange rates can add to the complications), it is essential to measure the *real* value of the national product in terms of a foreign currency and not in the national currency; this can be done by imputing to the output values in foreign currency, i.e., say, c.i.f. dollar prices for importing such output from abroad. Secondly, this model (with arbitrarily chosen figures) illustates that the change in the employment of local resources in the making of different import-replacements (having in terms of, say, dollars lower or higher values) is brought about automatically by changes in the external value of the national currency and thus the real national product, measured in dollars, grows.

It will be assumed that country A has no exports and its imports are financed entirely by a constant, annual grant of DO 400 from its only trading partner, country B; DO is the currency of B. A unitary exchange rate prevails. Imports into A are licensed and can be financed only by the purchase of the DO currency from the A government. To neutralize the income effects of the devaluations, the effective money demand is assumed to be regulated by the Central Bank[a] so as always to be equal to MO 500 plus that amount of MOs needed to purchase, at the then operating exchange rate, the offered foreign currency of DO 400.

There are no capital movements between A and B. The further assumption is made that there are no idle resources in A, though in phases I and II — to use Meade's terminology *(5)* — "production is maximised but not optimised". Only one factor of production exists in A and that is the homogeneous "labour-day", which can make any article manufactured in A or imported from B. A's resources consist of 500 such factors, each of which is priced throughout at MO 1. The imports from B are priced in DOs and the products of A in MOs. The domestic products of A have, however, in addition to their MO-price also an imputed DO-price, the latter being the price (c.i.f. A country) of an identical or similar product made in B.

By definition the domestic product of A has a constant value of MO 500, but its imputed DO-value changes and grows (in the arbitrarily chosen arithmetic demonstration) from DO 251 to DO 401 to DO 475.

[a]This model was first presented in a paper read to the Economics Graduates Seminar of the Hebrew University, Jerusalem in December 1956 but its construction was blemished by the shortcoming that — with each phase of devaluation — the volume of effective demand was not adjusted sufficiently. The writer is grateful to Prof. D. Patinkin for pointing this out though the latter bears no responsibility for the adaption made as a result of his criticism.

A "product group" is an abstraction which indicates whether A's factors are engaged on high or low-cost production; judged by the criterion of the imputed DO-value one can learn whether few or many factors are employed in A to generate the value DO 1; product group *s* has, by A standards, low-cost production schedules whilst product group *z* is the most extreme example of high-cost production. When a product, priced in B DO 1, is made in A by the application of three factors, its price is MO 3; when a product priced in B DO 1, can be made in A by the application of ½ factor, it is priced MO ½.

Phase I of this model indicates how at a low exchange rate, i.e. an overvalued MO, some of the factors of A are employed on high-cost production whilst part of the given foreign currency is allocated for the import of goods, which could have been produced in A as low-cost articles. (If the foreign exchange controller of A had allocated DOs only for those goods which – by the manufacturing capacity of A – were high-cost ones and if he could have stopped the import of goods which – by the standards of A – were low-cost ones, no misallocation of resources would have occurred on the score of the unrealistic exchange rate; but of course the yardsticks used in practice had inscribed on them slogans like "luxuries prohibited" or "essential imports are desirable", etc). In phase I, most goods of B – undervalued in terms of the MO – are so cheap that A importers queue up to receive allocations of MOs, because differential profits, to varying degrees, can be earned at this stage on almost all imports.

Phase II symbolically points to the stage which is reached after the consummation of a devaluation when the foreign exchange controller discovers that, whilst the overall demand for allocations of DOs has not diminished to the extent that the residents of A are no longer able – at this higher price – to absorb all the offered foreign currency, importers are now unable to pay the higher MO prices for the allocated currency *unless they are enabled to import those B goods which are – by the standards of A – high-cost products.* This phase illustrates that in contradistinction to phase I it has now become more worthwhile to make locally some of the low-cost articles rather than import them from B. Unless, therefore, the government wishes to leave some of its foreign currency income unutilized for import purposes, it must with each progressive devaluation pay increasing attention to the economic considerations of the importers and can afford to pay even less court to the uneconomic notions of encouraging "essential" imports and discouraging "luxuries". This shift in the composition of the import basket is accompanied by a parallel movement of A's factors, which drift now from the high-cost product groups to the low-cost ones. This change in A's production schedule is the cause for the growth of the real national product as measured by the imputed DO values.

Phase III registers that stage at which any further devaluation will not alter the import basket relative to the employment of A's factors; hence any additional devaluation of MO will not increase the real national product *for*

the reasons outlined in this paper. There may, however, be other considerations why a devaluation beyond the point which phase III signifies is considered desirable.

THE EFFECTS OF THREE DEVALUATIONS OF THE MO CURRENCY UPON THE ECONOMY OF A

Product Group	Number of "Labour-Days" to produce DO 1	Number of "Labour-Days" employed	MO-value of domestic product of A	DO-value of domestic product of A	DO-value of Imports from B
PHASE I EXCHANGE RATE MO 1 : DO 1 Effective Money Demand: MO 500 + 400 = MO 900					
s	½	50	50	100	—
t	1	50	50	50	100
u	2	50	50	25	100
v	3	75	75	25	75
w	4	60	60	15	60
x	5	65	65	13	61
y	6	66	66	11	4
z	7	84	84	12	—
	Total	500	500	251	400
PHASE II EXCHANGE RATE MO 2 : DO 1 Effective Money Demand: MO 500 + 800 = MO 1,300					
s	½	72	72	144	—
t	1	150	150	150	—
u	2	120	120	60	—
v	3	90	90	30	80
w	4	68	68	17	85
x	5	—	—	—	85
y	6	—	—	—	85
z	7	—	—	—	65
	Total	500	500	401	400
PHASE III EXCHANGE RATE MO 3 : DO 1 Effective Money Demand: MO 500 + 1,200 = MO 1,700					
s	½	100	100	200	—
t	1	150	150	150	—
u	2	250	250	125	—
v	3	—	—	—	83
w	4	—	—	—	77
x	5	—	—	—	74
y	6	—	—	—	75
z	7	—	—	—	91
	Total	500	500	475	400

REFERENCES

1. ALEXANDER, S. S. (1951) "Devaluation versus Import Restrictions", *Staff Papers*, International Monetary Fund, Washington, April.
2. LERNER, A. P. (1946) *The Economics of Control*, MacMillan, New York.
3. MACHLUP, F. (1956) *The Terms-of-Trade Effects of Devaluation upon Real Income and the Balance of Trade*, Kyklos IV, Switzerland.
4. MEADE, J. E. (1951) *The Balance of Payments*. Oxford University Press, London.

5. MEADE, J. E. (1955) *Trade and Welfare*. Oxford University Press, London.
6. MIKESELL, R. F. (1954) *Foreign Exchange in the Postwar World*. The Twentieth Century Fund, New York.
7. POLAK, J. J. and CHANG, T. C. (1950) "Effects of Exchange Depreciation on a Country's Export Price Level", *Staff Papers*. International Monetary Fund, Washington, February.
8. RUBNER, A. (1960) *A Critical Account of Israel's Economy*. Frank Cass, London.

Marital Stability in Two Guianese Sugar Estate Communities[a]

By

C. Jayawardena.

This paper deals with the factors that affect the stability of marriage in two sugar estate communities in Berbice, British Guiana. It is proposed to relate these factors to the occupational structure, and to those differences in social status and prestige which are based on it. The populations of these estates are largely East Indian,[b] and it is with them that we are concerned. The Indian family, the household of the Indian labourer, and "Indian culture" (as defined below) are important dimensions of the sector of social activity discussed here.

Information was collected in Blairmont, a sugar estate situated on the western bank of the Berbice River, and in Port Mourant, an estate situated in the Corentyne district. The basic structure of both communities is determined by roles in the productive organization of the estate. These roles can be classified into a hierarchy of (a) Managers and overseers (senior staff), (b) Clerks and drivers[c] (junior staff), (c) Skilled labourers, (d) Unskilled labourers. Each category reflects differences in wealth and social status both in the system of social relations within the estate as well as in the wider society. The social distance between the largely European senior staff and the rest is so great that the former will not be included in this study. None the less their authority and influence over the other residents of the estate, both in the work situation and outside it, give them a structurally strategic position in the local community. Though they are not represented in the data submitted here, their unseen presence and influence should not be overlooked.

The differences between the junior staff and the labourers are not as great as between senior staff and the rest, particularly when seen in the context of the wider society. Whilst they are partially differentiated in terms of norms and common ideals, they can be considered together for the purposes of sociological analysis. However, differences which are of a lesser consequence in the wider social system assume a greater significance within this segment of it. Status and cultural variation between labourers and the

[a]The material on which this paper is based was collected in Blairmont between Sept. 1956 and Oct. 1957, and in Port Mourant between Feb. 1958 and July 1958. I wish to thank Bookers Sugar Estates Ltd., whose help and co-operation made this survey possible.

[b]A term used to distinguish between descendants of immigrants from India and the aboriginal Amerindians.

[c]The term driver is used to designate field foremen.

junior staff provide important determinants of differential behaviour in many sectors of social activity, including that which is discussed here – marital relations. The hierarchy of occupational groups form the basis of the local system of social status. The hierarchy of occupation is based on a rating of occupations in terms of skill and importance in the productive organization. It is the basic axis of social stratification of the estate community, for among the different occupations there is a differential distribution of the attributes of social status – income[a], education, social peer groups, and "style of life". This last attribute is measured by standards of conspicuous consumption of such objects as bigger and more ornately furnished houses, bicycles, radios etc., as well as manners and attitudes which are highly rated. The rating is based on standards set by the white senior staff as well as the urban middle classes. The upper and lower status groups referred to in this paper refer to this local system of social stratification.

The Indian population of these estates also forms a part of the Indian community of British Guiana, an ethnic group which is distinguishable in certain sectors of social activity. These sectors can be broadly described as those which involve an adherence to "Indian culture". In the context of British Guiana "Indian culture" can be defined as those ideals and practices which the Guianese Indians believe differentiate them from other ethnic-cultural groups. This culture includes the continuities and survivals inherited from the immigrant ancestors, as well as those modifications, innovations and revaluations produced by processes of social integration. Marriage customs and ideals of family life are central manifestations of this culture, and serve as symbols of Indian group identity. These customs and ideals have been discussed elsewhere *(1, 2)*. As an introduction to the discussion in this paper it will be useful to recapitulate briefly some of their salient features.

The ideal Indian marriage is arranged by the parents of the marrying couple. The marriage partner is chosen, by preference, from outside the local community. The only rule is that the religion (Hindu or Muslim) of the parties should be the same. Caste is a marginal consideration. Social status is important but this consideration is not specifically "Indian". As far as most labourers are concerned the occupation and future of most youths at the age of marriage is still vague: therefore it is the status and prestige of the father that is important. Marriage is solemnized with a relatively expensive wedding. It is marked by the careful enactment of certain rites which define the wedding as "Indian" or "coolie". People are not usually concerned with the meaning of these rites beyond this overall symbolic statement. Marriage is usually patrilocal, and the wife moves into her husband's parents' home for a short while. As far as possible each married couple is provided with a house of their own by the management of the estate. Since there is a short-

[a] Unskilled labourers are seasonally employed and are paid either at piece rate or daily; the junior staff earn a regular monthly salary, throughout the year. Skilled labourers are either regular employees, or earn comparatively high salaries for short periods.

age of houses both in the estate and in the privately owned housing areas, some young couples are compelled to live with their parents for considerable periods of time. According to cultural ideals the supremacy of the husband is absolute. The woman is expected to be an obedient wife, a thrifty housewife, and a good mother. There is a division of labour in which the woman cooks and looks after the house and children. The husband has no domestic chores, except for those involving heavy manual labour like chopping firewood. He is the main provider of the household. He is responsible for keeping the family within the Indian group by initiating and participating in Indian rituals. In time he establishes the prestige of the family in the local community by an appropriate wedding for his eldest child. He has to find suitable spouses for his children, and jobs for his sons.

The foregoing represents the pattern of an ideal system. Realities lead to modifications and conflicts. For instance, wives in the higher status groups devote all their time to the home. But the wives of unskilled labourers often work on the estate to augment the meagre earnings of their husbands. Indeed when the grinding season is over almost the only work available on the estate is weeding. Weeding is performed largely by female labour, and so it is not unusual to find a husband staying at home looking after the children and preparing the meals while the wife is out at work. However this paper is concerned not with such modifications of the ideal pattern but with conflicts which affect the stability of marriages, and lead to marital separation. Some of these conflicts arise from incompatibilities within the pattern of cultural norms and practices. Others arise from tensions between the ideal pattern and the reality of social activity. On the other hand the operation of the processes that make for conflict will be seen to have different implications and effects in the different status groups.

In the following discussions "instability of marriage" is taken to mean the extent to which the marital relationship is affected by conflicts which upset its equilibrium. The use of this term covers a wider range of behaviour than the frequency of actual terminations of the marital relationship. The conflicts discussed in this paper could lead to such a termination. But more often the result is a series of marital disputes (i.e. a conflict between husband and wife, or their families, about the recognition of rights and the performance of duties).

Marital separation is a fairly frequent phenomenon in Blairmont. Table 1 shows that 103 out of 389 married males, or 26.5 per cent, have been separated at least once; 116 out of 450 married females, or 25.8 per cent, have been separated at least once. The figures for Port Mourant are considerably less. Out of 275 married males 43, or 15.6 per cent have been separated at least once; out of 299 married females 42, or 14.0 per cent, have been separated at least once. The lower proportions do not necessarily mean that marital relations in Port Mourant are more harmonious. The difference should be attributed to two aspects in which marriage in Port Mourant differs from that in Blairmont: (a) the majority of marriages in Port Mourant are con-

TABLE 1. Number of Marital Separations Experienced by Ever-Married Adults in Blairmont and Port Mourant

A: MALES

Age Group		Number of Separations											
		None		One		Two		Three or More		Information No		Totals	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
11 — 15	P/M												
	B/M												
16 — 20	P/M	5	100.0									5	100.0
	B/M	10	100.0									10	100.0
21 — 25	P/M	42	95.2	2	4.5							44	100.0
	B/M	41	93.2	2	4.5	1	2.3					44	100.0
26 — 30	P/M	39	88.6	5	11.4							44	100.0
	B/M	55	88.7	7	11.3							62	100.0
31 — 35	P/M	35	87.5	4	10.0	1	2.5					40	100.0
	B/M	44	71.0	14	22.6	3	4.8	1	1.6			62	100.0
36 — 40	P/M	27	81.8	4	12.1	2	6.1					33	100.0
	B/M	36	73.5	10	20.4	3	6.1					49	100.0
41 — 45	P/M	28	93.3	1	3.3	1	3.4					30	100.0
	B/M	37	68.5	10	18.5	7	13.0					54	100.0
46 — 50	P/M	22	81.5	4	14.8	1	3.7					27	100.0
	B/M	25	65.8	5	13.1	8	21.1					38	100.0
51 — 55	P/M	14	70.0	5	25.0	1	5.0					20	100.0
	B/M	15	65.2	5	21.7	2	8.7	1	4.4			23	100.0
56 — 60	P/M	12	75.0	3	18.8	1	6.2					16	100.0
	B/M	13	61.9	5	23.8	3	14.3					21	100.0
61 — 65	P/M	2	66.7	1	33.3							3	100.0
	B/M	5	29.4	6	35.3	3	17.6	1	5.9	2	11.8	17	100.0
66 — 70	P/M	1	16.7	4	66.6	1	16.7					6	100.0
	B/M	3	49.9	1	16.7	1	16.7	1	16.7			6	100.0
Over 70	P/M	5	71.4	2	28.6							7	100.0
	B/M	2	66.7			1	33.3					3	100.0
Totals	P/M	232	84.4	35	12.7	8	2.9					275	100.0
	B/M	286	73.5	65	16.7	32	8.2	4	1.1	2	.5	389	100.0

B/M = Blairmont

P/M = Port Mourant

tracted within the local community whereas in Blairmont marriage still follows the traditional practice of selecting a spouse from outside the local community; (b) the majority of marriages in Port Mourant are legally registered, whereas in Blairmont they are not. This results in the greater effectiveness of two factors which can prevent a final and permanent breach of the conjugal relationship — (a) the local kinship groups of the husband and the wife, (b) the courts. The factors that lead to disharmony in the marital relationship exert the same pressure in both communities. The difference lies

Table 1, cont'd.
B: *FEMALES*

Age Group		Number of Separations											
		None		One		Two		Three or more		No information		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
11 — 15	P/M	3	100.0									3	100.0
	B/M	4	100.0									4	100.0
16 — 20	P/M	43	100.0									43	100.0
	B/M	58	87.9	8	12.1							66	100.0
21 — 25	P/M	45	84.0	8	15.1							53	100.0
	B/M	58	82.9	12	17.1							70	100.0
26 — 30	P/M	35	87.5	4	10.0	1	2.5					40	100.0
	B/M	59	76.6	17	22.1	1	1.3					77	100.0
31 — 35	P/M	38	88.4	5	11.6							43	100.0
	B/M	41	70.7	17	29.3							58	100.0
36 — 40	P/M	36	81.8	8	18.2							44	100.0
	B/M	30	68.2	13	29.5	1	2.3					44	100.0
41 — 45	P/M	16	80.0	4	20.0							20	100.0
	B/M	20	57.1	14	40.0	1	2.9					35	100.0
46 — 50	P/M	15	78.9	4	21.1							19	100.0
	B/M	20	62.5	8	25.0	4	12.5					32	100.0
51 — 55	P/M	11	78.6	3	21.4							14	100.0
	B/M	11	64.7	4	23.5	1	5.9			1	5.9	17	100.0
56 — 60	P/M	15	83.3	2	11.1	1	5.6					18	100.0
	B/M	8	61.5	4	30.8					1	7.7	13	100.0
61 — 65	P/M	3	100.0									3	100.0
	B/M	13	68.4	3	15.8			1	5.3	2	10.5	19	100.0
66 — 70	P/M	6	85.7	1	14.3							7	100.0
	B/M	7	87.5	1	12.5							8	100.0
Over 70	P/M	1	50.0	1	50.0							2	100.0
	B/M	5	71.4	1	14.3					1	14.3	7	100.0
Totals	P/M	257	85.9	40	13.4	2	.7					299	100.0
	B/M	334	74.2	102	22.7	8	1.8	1	.2	5	1.1	450	100.0

P/M = Port Mourant
B/M = Blairmont

in the greater effectiveness of the mechanism for controlling marital disputes in Port Mourant.

Causes of Instability

The reasons given for separation are many and varied – cruelty, inadequate support of family, adultery, drunkenness, lack of thrift, etc. These are considered valid reasons for terminating a marriage. There is no preponderance of one of these stated reasons over the others. However, such statements as to why a marriage broke up have not been taken at their face value. It was

often stated that a marriage broke up because of the "bad behaviour" of the spouse. When this "bad behaviour" was specified it could be subsumed under one or more of the recognized grounds for separation. In several cases mutual allegations and mutual denials were made. There is good reason for believing that these allegations are exaggerations, designed to meet the requisite degree of deviant behaviour which is conventionally regarded as intolerable. Very often the husband alleges that his wife had a lover; he would even emphasize the point by saying that she "took a black man in the bush". In most of these cases the lover ("sweet-man") is probably a "legal fiction" which qualifies the wife's behaviour for social censure. "Taking man in bush" is a stereotyped accusation in abuse. It seems preferable to relate separations to a more general instability in the marital relationship.

TABLE 2. Duration of Marriages which ended in Separation: Port Mourant and Blairmont

Duration of Marriage in Years	Males				Females				Totals			
	Port Mourant		Blairmont		Port Mourant		Blairmont		Port Mourant		Blairmont	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
0 - 2	23	53.5	57	43.3	18	47.4	42	46.7	41	50.6	99	46.5
3 - 5	7	16.3	33	26.8	9	23.6	23	25.5	16	19.8	56	26.3
6 - 8	6	14.0	8	6.5	2	5.3	15	16.7	8	9.9	23	10.8
9 -11	2	4.6	9	7.3	3	7.9	6	6.7	5	6.2	15	7.0
12 -14	2	4.6	8	6.5	1	2.6	1	1.1	3	3.7	9	4.2
15 -17	1	2.3	4	3.3	3	7.9	1	1.1	4	4.9	5	2.4
18 or more	2	4.7	4	3.3	2	5.3	2	2.2	4	4.9	6	2.8
Totals	43	100.0	123	100.0	38	100.0	90	100.0	81	100.0	213	100.0

An examination of the duration of disrupted marriages experienced by persons in each community enables one to isolate some of the major causes of instability. Table 2 indicates the duration of such marriages; the duration is expressed in three year periods. It would appear from this table that the first few years after marriage are the most crucial for its continued existence. Certain factors, which cease to exist or have any influence later, exert a strong pressure during the first few years of marriage. One such factor is the conflict that arises between the young wife and her husband's family during the initial period when she lives in her husband's parents' household. The conflict occurs specifically between the wife and her husband's mother. The husband's mother takes on herself the task of breaking-in the girl to her domestic duties and responsibilities. In extreme instances this could become an exploitative relationship, in which the wife bears the burden of the domestic duties hitherto shared by the other females of the household. The complaints of one young wife, which are listed below, are typical of the allegations of those who return home after a few months of marriage. Her parental home was in Blairmont, and she was married to a young man from Port Mourant. She returned to her parents' home after slightly over a year. Her reasons for returning home were: (a) her husband's parents made her work in the ricefields more often, and harder, than his sisters were expected

to work; (b) they made her do all the cooking and abused her when she was not punctual with the meals; (c) in the ensuing quarrels they ill-treated her, and her husband sided with his family.

Another aspect of this conflict centres on rights to the services of the husband. In the majority of families, in which livelihood depends on unskilled labour, the earnings of the father diminish as he grows older. More and more the family comes to depend on the wages of the elder sons. The young man who cuts cane or operates a tractor, will soon bear the brunt of household expenses. While the family depends heavily on his earning power, custom also decrees that he get married at about this age, which means that he should divert his earning power to build up another household. The existence of these two incompatible demands made on the same person is basic to many marital conflicts. The young girl comes into marriage intent on her new life as a housewife with her own home. Instead, she finds herself being absorbed into another household. Her services may even be regarded as supplementary to those of her husband. These are the conditions of which young wives complain when they return home. Separate cooking arrangements are an attempt to budget separately, and to divert the husband's earning power to sustain his own family of procreation.

Sometimes the whole of the husband's family may be involved in this conflict. The fact of her marriage does not always sufficiently orientate a young wife's sentiments and loyalties towards her new home. Her reluctance to accept the regime of her husband's parental household produces tensions which her conjugal relationship is not mature or strong enough to counterbalance. For some time at least her ties of loyalty are to her own parental household rather than to the new one into which she has been recently incorporated. The following examples illustrate some of these conflicts.

I. Hubraj's mother and his wife quarrelled perpetually. Hubraj stated that (a) his wife accused him of siding with his mother, who illtreated her; (b) his wife was prevailed on by her mother to insist that they live with her parents, so that this illtreatment could be avoided. He refused to do so; so she left him.

II. Baljit Singh and his wife used to live next door to his wife's mother. He believed that the mother and the wife used to "gang-up" against him. He felt things were tolerable as long as his wife's father was alive, for he was a restraining influence. But after he died mother and daughter got even closer to "tie pad pon me", i.e. to scrounge on him. His marriage became unbearable. When he discovered that his wife took $45.00 from his savings without his permission and gave it to her mother, Baljit decided it was the last straw and he left her.

III. Rashid was recently married to Nasroon, a girl from a neighbouring village. Nasroon's father had said something derogatory about Deen, Rashid's father. These remarks were relayed to Deen who repeated them, and a few other scarcely veiled threats to his wife in Nasroon's hearing. It is very likely that they were meant for her ears so that she would convey them to her father. She nibbled at the bait and joined the discussion by defending her father and abusing Deen. He replied by saying that he will take no "rudeness" from any member of his household. An altercation followed. Rashid supported his father staunchly. On the next day Nasroon returned home.

Such conflicts of loyalty sometimes result in wives deciding to return home after a few weeks or days of marriage. A few women, questioned about why they left their husbands, said they had no specific reason: "Is no story; me come away", or "Just so – ah we left". The strength of the young wife's ties to her own home is expressed in the comment of a man whose wife deserted him shortly after marriage: "Ah you know coolie rule; she get way, get way to she Momma – she Momma want keep she". All these instances are aspects of a wider problem – that of integrating the newcomer into the local kinship group (usually consisting of parents and their married children) and the local community. The young wife who leaves her husband without much provocation is reacting against the unfamiliarity of the new surroundings, and the new way of life. Similar problems arise in the few cases where the husband lives with his wife's family. The conflict here centres around the control over the wife. (The tendency in Port Mourant to select spouses locally lessens the intensity of these difficulties.) The hiving-off of the married couple to establish their own household is a possible solution to these problems. This is recognized by the people and the authorities (the manager and the magistrate). But the shortage of houses, and the limited opportunities for employment often make it necessary for the new family to graft itself on to a parental one. An attempt is sometimes made to meet the problem by separating the management of resources. Many married couples living with their parents make some sort of arrangement to cook separately. This may be done by cooking with the same utensils over the same fireplace but at different times, by sharing a kitchen with separate fireplaces, or by building a separate kitchen. Yet separate budgeting or even a separate house does not provide a total solution because the relations between a newly-wed man and his parents are very close.

The facts discussed so far refer largely to unskilled labourers. In the higher status groups conditions are somewhat different. The subordination of the son's wife to his mother is an "Indian" custom which has less force among the more creolized clerks. Among these persons the wife has probably been to secondary school. The husband's parents, whether they are labourers or clerks, are willing to grant her a more autonomous status. In the household of both drivers and clerks there is hardly any conflict over the service of the son for there is no struggle to make ends meet. Where the husband's parents are poor labourers the growing social distance between them and their son leads to a situation in which (a) his contributions to the household budget are clearly recognized as "help" and not a part of the legitimate resources of the household; (b) the parents treat him with a deference that is extended to his wife. Consequently complaints of illtreatment are seldom heard from daughters-in-law living in junior staff and, to a lesser degree, skilled labourer households.

Involvement in the same household is not the only basis for conflict. There is a general ambivalence in the attitude of parents to their married offspring. On the one hand the parents are (at least partly) responsible for arranging a marriage. On the other hand they are slow to cede their rights over married

children. The customary wedding rite, if understood properly, should symbolize this change of status. But in this case the rite is not an objective correlative of the parents' sentiments. The customary wedding is a symbolic expression of Indian (as opposed to Negro or European) culture. It is an exhibition of the father's social status, prestige and wealth. The ceremonial handing over of the daughter to the groom does not always correspond to the sentiments of her parents. For some time yet the newly wedded girl, even though she has changed her residence, is still regarded as a member of her parental household. The marriage itself does not immediately create a new and independent unit. In its early stages it is still a joint venture of the two parental families in which each is still jealous of its rights and dues. The manner in which a daughter-in-law is treated is interpreted as closely connected with the degree of respect accorded to her father. Wedding transactions sometimes become a competitive exhibition of the status and prestige of the two families. Weddings can create bitter acrimony between the families which could be perpetuated in the reception of the young wife into the local kinship group. Her father will keep a watchful eye on the manner in which his daughter, and therefore he, is treated. There are several cases of the girl's parents taking away their daughter because they are dissatisfied with the post-wedding arrangements. Again, (in Blairmont) weddings which are conducted according to customary rites have no legal validity. The rights of a wife by customary marriage cannot be directly enforced at law and the protection of them has to be exercised by her parental family. Therefore a close relationship between a married daughter and her parental family acts both as a functional prerequisite, and as a disruptive force.

The operation of inter-familial pressures can be traced in the two disputes outlined below. The first occurred in 1957. The second occurred in 1939 and is quoted here from the records of the estate office.

> IV. Mangrie of Rose Hall was married to Plantain of Blairmont. Mangrie gave birth to a still-born child at the Blairmont Hospital. A week later Mangrie's parents came to Blairmont, and complained that they were not told of their daughter's confinement. There was an unpleasant argument between the two sets of parents, and the girl's parents returned to Rose Hall. Two days later, when the girl was to be discharged from the hospital, they returned to Blairmont accompanied by a few friends. They seemed determined to take away the girl by force. Another argument developed and Plantain accused Mangrie's parents "You have a daughter at Rose Hall who has got three men. Now you want to take this one away and give her three men too." Fortunately the local Pundit, who had participated in the wedding, was at hand, and he succeeded in making peace. Plantain's parents agreed to let the girl go back to Rose Hall for a short while. Mangrie was preparing to leave the next day when Plantain noticed that she was not taking her wedding jewellery with her. He asked her why, and she explained that her mother had instructed her not to use them. Plantain felt "shamed" and told her that if his jewellery was not good enough for her she was not good enough for him. He added that he did not wish to see her any more. Mangrie left with her own property and did not come back.

In this dispute Plantain's family had ignored the rights of Mangrie's family in not informing them of their daughter's confinement. Mangrie's family came

to assert their rights by taking back their daughter to look after her in her convalescence. This implied the unsuitability of Plantain's family, and so intensified the hostility. Mangrie's mother's instructions about not touching the jewellery was felt by Plantain to be a slap in his face. His answer to that was to repudiate the whole marriage.

The next dispute had been recorded at the estate office because it was the practice at that time for managers to solve the disputes among labourers – both those that arose between labourers of the same estate and those between labourers of different estates. (These latter disputes were almost entirely between affines.)

V. Basdei, the daughter of Etwaru of Bath, was married to Sonny, the son of Latchman of Blairmont. Sonny and Basdei were living in a house of their own in Blairmont. Basdei's parents had wanted her back home on several family occasions, and had asked Latchman to send her back. Latchman had ignored these requests. Eventually Etwaru wrote Latchman this letter:

Pln Bath
West Coast Berbice

Dear Latchman,

I am writing to let you know that this the six time I write for my daughter, and you refuse to send she. When we dead then you will send she. You all think that we sell she to you all, but that is not true. When Siudin go for she, and her husband and you tell he you will send she for a day, Tuesday; and we did not want them for more than a day. And you do not do so. When my brother child was dead, when we send message, you refuse still to send she. When we have sickness you didn't send she. When we have dead you didn't send she. We must say that she must spend her pleasure there. We didn't say nothing. But you tell us you will send she Tuesday. We prepared everything for then. But you all think we are damn fool. Nothing more to say but plenty of howdy for everybody. I close with my best regards.

Ram, Ram
I remain
Yours truly samdhi
Etwaru.

With the aid of a member of the junior staff Latchman composed the following reply:

Pln. Blairmont
10-3-39

Dear Samdhi,

Ram, Ram. In reply to yours without date, I consider your letter a very stupid one, and one that I should ignore. But through the act of courtesy I deem it wise to reply.

Your accusations contained therein are groundless. To get at the truth I will invite you to come and make investigations. You'll find the opposite of your charges. Basdei will give the necessary answers to your queries, and we will give you the balance in front of those that are intimately connected. Write and let me know when you are likely to come.

Ram, Ram to all
Your samdhi
Latchman.

No resolution of this conflict was reached through correspondence. For on 30-3-39 the following entry was made in the manager's case-book: "Latchman. Son, Sonny, married to Basdei of Bath. Basdei complains Sonny taken all her jewellery on being transferred to Bath Hospital. Married about two years. Letters presented in which Basdei's parents complain that they would not send girl even for a day. Reply written by Hashim. Sonny and Basdei obviously agreeing, but discord caused by parents on both sides. Basdei to return to Blairmont Hospital, but when discharged Sonny to send her for a few days change to Bath". This was done. Basdei had her baby in the Blairmont Hos-

pital, went to Bath and returned. But the tussle continued well into the next year. On 14-5-40 the following entry was made: "Basdei complains that her husband has given their child to his mother and father, living next door, and will not let her have the child back. She also complained her mother-in-law was treating her badly. Investigation disclosed that Basdei was incapable of taking care of child . . . Suggested grandparents should continue caring the child for another two weeks, and that Basdei, who lived next door, could help bathe and play with the child. Basdei's mother said she wanted to take her daughter back to Bath, and wanted the baby to go as well. Suspect plot to get child and leave Sonny altogether. Refused permission to allow child to go. Basdei said she will not go without child. Told Basdei to leave child for present with grandparents, and either go to Bath, or remain to help with the child for two weeks as suggested above . . . Good thing if they lived away from parents when child is eventually returned in full . . .
On 27-5-40, the following note was made: "Basdei returned from Bath after spending time with her mother as advised. Latchman willing to give custody of child back to Basdei. Latchman agrees to see his wife has less to do with child and not to interfere with the running of Basdei's and Sonny's house. Basdei agrees to listen to her husband and not to curse his mother, and to care the child properly. Sonny told that he and his wife will be moved further away from his mother at first opportunity.

The conflict outlined in this example is characterized by essentially the same features as those in the previous one. The son's wife and the husband's mother came into conflict with each other even though they were not of the same household. The exchange of letters, and the argument over the grandchild indicate the rivalry between the two parental families. The wife's family was apparently protesting against the complete denial by the husband's family of their rights over their daughter and her child. The manager's guess that the wife's family aimed at taking their daughter and her child home and deserting the husband was very probably correct. Probably they did not contemplate a final breach of the relationship. Taking away the wife, and especially the grandchild, was a tactical show of strength, which would reinforce their bargaining power in future negotiations. Facility of communication is an important factor if these manoeuvres are not to lead to a permanent breach. When the families live several miles away as in this case such rifts could easily harden into permanence. Regularity and multiplicity of contacts, and in Port Mourant help to contain conflicts within more manageable limits, and so prevent a final breach.

The intervention of parental families in a marriage lessens with the birth and growth of children. In time the young wife's loyalties come to be centred on her own home. At the same time changes occur in her parental household — one or both parents may die, and the survivor may marry again, or the brother may become the effective head of the household. Such events loosen her ties with her parental household. In cases where there is a conflict over the services of the young husband the passage of time will again remove many of the tensions. Younger brothers will grow up to shoulder the burdens of economic support, and so release him. When his sisters get married the family will have met one of its greatest items of expenditure. The parental household itself will "disintegrate" with the marriage of the children and the death or old age of the parents. Parents too old to work will append themselves to their children's households.

The conflicts outlined above involve one or both of the parental families of the conjugal pair. It should be pointed out that personal traits are relevant too. If the young wife is immature (as she often is), or if her interests in the marriage are slight (when the marriage has been largely arranged) the weakness of the sentiments binding her to her new home may not be counterbalanced by closeness of the ties linking her to other members of the local community. At the commencement of her marriage she is a comparative stranger in the neighbourhood, and her ties with her own kinship group will be treasured as her only psychological support. This factor is of little importance in Port Mourant where most marriages are contracted within the estate. It is an important factor in Blairmont. But even here she will be assisted and backed by friends and relatives of her parents who are resident on the estate. The befriending of a young married wife by unmarried girls of the same age in the neighbourhood is a very noticeable feature.

The immaturity of the young husband is a corresponding factor. (A very revealing insight into this situation, in similar conditions in Trinidad, is found in Selvon's novel *A Brighter Sun*). A young husband is more oriented to the ideal of the supremacy of the male in his household than a more experienced one. The latter shows a greater willingness to abide by the realities of the situation. Young men sometimes fail to support their wives and children even when they are able to do so. The transition from the "sporting" life of the bachelor, (with its heavy consumption of rum, cigarettes, and visits to the cinema and town) to the frugality imposed by domestic responsibilities is not always smooth. Conscious of the ideal supremacy of the male the young husband is reluctant to brook contradiction, criticism or disobedience. The marriage negotiations, which follow a pattern of soliciting for him, buttress his sense of his pre-eminence.

The first three years account for about half the broken marriages in both Blairmont and Port Mourant. The factors discussed so far exert their greatest pressure during this period. This pressure decreases after the first few years. But one factor persists with undiminished pressure throughout the marriage. This is conflict over the control of the resources of the household. The seriousness of the conflict lies in the strength of the symbolic importance of male dominance in the household. This is an article of faith with most Indian males. It is implicit in many eulogies and definitions of "Indian culture".

For instance in serious discussions of Indian-Negro marriages many point out the fact that most of these unions are between Negro males and Indian females. The ultimate reason given for this is some sort of cultural incompatibility. The incompatibility is attributed to the waywardness ("own way") of the Negro female and her unamenability to her husband's authority, which results in very few Indian male-Negro female unions. It is said that for the same reason Indian females look on inter-racial marriages with a more favourable eye than Indian males do. By common account an Indian wife will be, comparatively, mollycoddled by her Negro husband. Reports about such unions describe with amazement how Negro husbands go shopping and do

the cooking for their Indian wives while the latter sit at home in luxurious idleness. Some Negroes with whom the problem was discussed said essentially the same thing; that while there was a high appreciation among Negro males of the "submissiveness" of an Indian wife, there was a reluctance among Negro females to marry an Indian male because he would expect her to "slave" for him. Thus the pre-eminence of the male is as much a distinguishing cultural trait (or stereotype) of Indians in the eyes of outsiders, as it is a badge of self-identification among the Indians themselves.

At the same time economic realities increase the importance of the wife's role. With seasonal unemployment the task of finding provision for the family devolves more and more on her. In this situation all the men can do is to try to catch a few fish in the flooded fields and this is a very precarious source of income. During rice-planting and the rice harvest they can hire themselves out as labourers, but this means little in practice, for these periods coincide with the sugar crop. In any case most of the extra-family labour on rice fields is obtained on an exchange basis. Women can obtain work on the estates more regularly throughout the year, as weeders, than can men. They can huckster in the market since this occupation is customarily (with the exception of a few commodities like meat and trinkets) assigned to women. Equally important is the skill with which the wife plans the budget of the family. Managed with expert frugality three or four dollars can go quite far. In the season of employment it is the wife who puts aside money for the lean season. In the past these savings were invested in jewellery for the wife, which were pawned when the necessity arose. Today there is an increasing tendency to use the Post Office savings bank. The women tend small kitchen gardens on which they grow vegetables and they pick edible leaves in the "backdam" and the bush. When elder children begin to work, because of the closer emotional ties that bind them to their mother, it is to her that they hand their pay-packets. (Incidentally this is what their fathers are expected to do too). With the passage of time the most striking feature of the history of a family is the transformation of the shy and timid bride into the efficient and self-reliant manager of the household. More and more will she seek to curb her husband's spending and drinking, and make him keep regular hours. This gives rise to one of the commonest types of conflict that lead to eventual separation. The following examples may be regarded as typical.

VI. Faizoon left her husband because he was spending all his money and not putting by any for the new house they hoped to build in the Blairmont Settlement Scheme. She complained that household expenses were met by the money she earned. Amanullah corroborated this in his version of the dispute: One day he had gone home with a few friends. Faizoon accused him of being a wastrel and abused him in front of his friends. He became annoyed and beat her. The next day she left him and went to her married sister's home. He was prepared to take her back but she was not willing to return to him. He believed that she had been instigated and led into "bad ways" by her sister.

VII. Suknanand, a cane-cutter, and Betlin had been married for about four years. Their married life had been chequered by periodic quarrels and separations. Whenever he asked his wife for small sums of money as "expenses" either

when he went out to work or went out in the evening she refused to give him any. When he took friends home for a drink Betlin used to "get away one side" and refuse to perform the duties of a hospitable housewife incumbent upon her. When the friends departed and Suknanand approached her "to show love" she would reject him completely. She would declare that she did not like his friends "sporting" in the house, and that he was ruining the home. She would insist on her right to decide how the money was to be spent, and what happened in the house. Suknanand reported that what she wished him to do was to take his drink at home and "sit one side of the house." (When he cited other cases of friends' wives who embarrass their husbands by behaving rudely to them in public one of his more fortunate friends remarked: "Man, that can't happen in me home.") Their last separation was directly due to a quarrel over how money was to be spent. He had drawn his pay of $20.00 one Saturday. He spent $8.50[a] in redeeming some items of his wife's jewellery which were in pawn. Then he went out drinking with his friends. He estimated he must have spent about six shillings ($1.44) in doing this, and took the remaining $10.00 home to his wife. She protested and asked him whether that was all the money he was bringing home. He explained that he had redeemed the jewellery. She insisted that all the money should have been brought home first, and accused him of starving herself and the children. A quarrel ensued and she refused to accept his accounts, or the balance of the money. When he tried to force it on her, she flung the money and the jewellery on the floor. He lost his temper and slapped her. She took her clothes and the children and went to her father's home.

Many women who left their husbands stated that they did so because "He too lazy to work" or "He drink too much rum" or "He deh all about" (i.e. he is a loafer).

These two aspects of the system of household relations – the theoretical dominance of the husband, and the sheet-anchor role of the wife – conflict sharply when one or both parties lack personal qualities like tact and moderation. The husband, who resents the "mannish" ways of his wife and the encroachments on his authority, resorts to force (like Amanullah, who said he felt "shamed" in front of outsiders). He tends to judge her actions as "bad behaviour" or "immoral". (In many societies women who deviate from their assigned roles are accorded scandalous reputations). The man who feels that he had failed to live up to the role of male dominance tends to assume the deflection of his wife's loyalties. No driver, and hardly any skilled labourer stated that he separated from his wife because of her bad behaviour. Rather did they "put away" their wives because they wished to "take" another woman, or their wives left them for that reason. Allegations of bad behaviour and sexual infidelity (which are the reasons given most frequently for separation) appear to be concentrated in the seasonally employed low-status groups. The following are some typical reasons, quoted verbatim.

She was behaving bad, so me beat she. Then she left me.

She was behaving bad, and had sweet man.

She nah behave good. Me talk to she but it nah work. So before trouble come me lef' off.

She playing with black man; so come we despatch.

She want play mannish; so me leave she easy.

"Bad behaviour", "playing bad", "playing mannish" are broad categories. They are not merely allegations of sexual infidelity. They include shrew-

[a] $ (W.I.) = 4/2d.

ishness, bad temper, being "own way" etc.; generally speaking, unamenability to discipline. It is not that allegations of infidelity are never true. In most cases these allegations derive from the same source. Many of the wives who were commonly reputed to have lovers also had husbands who were inefficient breadwinners, or failed to take any interest in their households. It would appear that wives who were very conscious of their power in the household would also be less likely to be controlled by sentiments of loyalty to their husbands.

Sanctions Against Separation

When the wife leaves the husband (which is the usual occurrence, though the reverse also occurs) the separation is by no means final. The wife usually goes back home or stays with relatives or friends. This is the first stage. The second stage is when the husband goes to her and persuades her to come back. Sometimes she will refuse; in this case the separation may become final, unless the husband is willing to try again.

> Bissoondial and his wife were married for two years. One day they had a quarrel about "house worries". His wife called in her mother and the mother took her back. He was so annoyed that he asked them not to come back. Later he changed his mind and asked her parents whether he could have her back. They refused, and she refused too.

It will be recalled that Amanullah too attempted to get his wife back, but she too refused. On the other hand in the case of Nasroon and Rashid, Nasroon came back after some time. This is the usual procedure. The husband is expected to go and bring his wife back, or at least persuade friends and relatives to intercede for him. A few times, when separations were discussed in the courts or with Probation Officers, the wife (or her parents) complained that the husband made no attempt whatever to get her back. This was held against him. Further, it would appear that in many marriages a temporary separation occurred at some time or other. By leaving her husband a wife places herself in a strong position from which she can negotiate for better conditions:

> VIII. Ramlal and Dhanmatie were married legally in 1952. Dhanmatie used to criticise Ramlal for his thriftlessness, and Ramlal accused Dhanmatie of gadding around too much, and of keeping the company of women of "bad reputations". They had several quarrels and Ramlal beat Dhanmatie a few times. Eventually Dhanmatie left Ramlal and went to live with some friends in Rosignol. She sued Ramlal for (a) separation, (b) maintenance for two children, (c) assault. In the courts, on the advice of the magistrate, the assault charge was dropped. The suit for separation was postponed to give time for an attempt at reconciliation. In the courts Ramlal favoured reconciliation, but Dhanmatie was reluctant. A provisional order of maintenance of $2.00 was allowed. Two weeks later, at the next session of the court, Dhanmatie appeared to say that she had changed her mind, that she and Ramlal were now reconciled and living together, and that she wished to withdraw the separation suit. The provisional order for maintenance was cancelled.

This case, typical of many, shows why the wife's departure from the house does not in itself constitute a separation. Her departure is only a first move in the dispute. She may bank on his coming back for her, or be somewhat

more serious and go on to the second move. She may also make the second move if he makes no effort to get her back. This is to take him to the courts. Separate residence enables her to exercise some constraint on her husband, for she can sue him for the maintenance of the children. For one child she can usually obtain $1.50 per week; for two $2.00, or more. This is a considerable portion of a man's income, since he has to pay it throughout the year until the child reaches the age of fourteen years. Rather than do that he will make overtures and try to bring his wife back. Ramlal used his neighbour's wife to persuade Dhanmatie to return to him.

If a wife is to resort to this method of constraint she must have a few children. It follows, then, that a few children act as ballast to a marriage. Besides the emotional ties children can create between two persons, the amount that could be awarded as maintenance imposes a certain control on the behaviour of the husband.

A man can apply for a reduction in the maintenance order on the proof that he is not earning anything, but he has to approach the courts for it, and this means the expenses of lawyers, affidavits and stamp fees. The expenses may very well offset any reduction he could gain. Yet it is sometimes pushed through the courts as another stage in the dispute between the man and his wife. She herself may, in turn, obtain an increase of the order on proof that he is earning again, or that the cost of living has increased.

Consequently a summons to answer a maintenance demand persuades many husbands to attempt a reconciliation. In extreme instances considerable hardship can result:

IX. Budram decided that his wife was "behaving bad" and asked her to leave the house. They had been married for fourteen years, and had five children. She left him, taking the five children, sued him for maintenance, and was awarded $4.00 per week. He cannot always afford this and has been three times in jail for non-payment of arrears. He claims that he cannot get married again because of this expense. He has spoken to her several times but she will not listen to him, even though she is now living with a man in a neighbouring village.

Actually Budram did not know he had legal remedies. (a) He can ask the court for a reduction of the order; (b) If he can prove to the court that she is living with another man he will be exempted from the order. However such bitterness does not always result, and matters can be more amicably arranged:

X. Satnarine and Rajdei had been married for eight years, and had four children. There was a serious quarrel between himself, and Rajdei and her mother. The mother took Rajdei and the children back to Rose Hall. Rajdei sued him for maintenance, and he was ordered to pay her $4.00 per week.

He found this sum burdensome, and asked Rajdei to return him the children. She returned the elder three, and kept the youngest. However he has not bothered to go to the courts to change the order, and "put money in de pocket of de lawyer dem". Instead he still pays $16.00 to the court each month, which Rajdei collects. Then he sends his eldest son to Rajdei to collect $12.00 which she duly returns.

It is women with a few children who are in a position to dispute effectively with their husbands. A woman with several children will find it difficult to find another husband. A wife without children, though she may not

be in as effective a position for controlling her husband, can find another husband with relative ease. A separated woman with many children will usually remain unmarried, especially if her children are growing up. She will go out to work and bring up her family as best she can. Soon the elder sons will go out to work and ease her burden. If she has just one or two children she may give them to her parents. Her parents, who have married off all their children, will be glad to have the grandchildren.

The frequency of the practice of resorting to this method of exercising sanctions on the husband is seen in the fact that in the period 1949-1956 cases petitioning for the payment of support for children constituted 7.5 per cent of all cases from Blairmont heard in the magistrate's court. Most of these actions were petitions for bastardy orders. But unmarried mothers are rare. The children in whose names orders for payment were made out were born of locally recognized marriages, most of which had been celebrated by customary ceremonies. Only about half of these actions are actually heard in the courts; they are struck out because of the absence of the plaintiff, or are withdrawn before hearing. This is because the filing of the action alone can act as a sufficiently effective sanction. In very few of the cases that are adjudicated are the payments made at all, or for long. They are avoided by a subsequent reconciliation. In Port Mourant these cases form about 10 per cent of all the cases heard in the magistrate's court in the period 1953-57. One difference is that in Port Mourant, since most marriages are legal, these actions are not for the support of illegitimate children, but are based on the legal rights of a wife for support for herself and the children. Only 41.1 per cent of these cases were submitted for adjudication.

The likelihood of having to pay maintenance acts as a control mainly on unskilled labourers. The skilled labourers, and more especially the drivers, would be less deterred by this possibility. For instance, of the five drivers (in both communities) who have separated from their wives, two separated without children after one year and two years respectively. Two paid maintenance for their children, and one paid maintenance for the child of one marriage, and alimony to the legal wife of another. The role of the wife in these groups, which are not poverty-stricken like the others, is less important. For skilled labourers and drivers earn more as they grow older, unlike unskilled labourers. But this does not mean that the percentage of separated persons in these groups is less. Table III shows that the percentage of persons in Blairmont who have separated at least once is similar in all groups, 20 per cent for drivers, 22.6 per cent for skilled labourers, and 28.4 per cent for unskilled labourers. The similarity of these percentages is accounted for by the fact that in the higher status groups, though marital tension over control of resources and behaviour is less, the restraining influence of maintenance is also relatively weak.

The ideal of male dominance is more nearly approached in the families of the upper status groups. The extent of the dominance of these men over their wives is reflected in the incidence of extra-marital relationships among

TABLE 3. NUMBER OF SEPARATIONS OF EVER-MARRIED MEN ACCORDING TO OCCUPATION: BLAIRMONT AND PORT MOURANT

Occupation		Number of Separations											
		None		One		Two		Three or more		No Information		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Drivers (Junior Staff)	P/M	1	50.0	1	50.0							2	100.0
	B/M	16	80.0	2	10.0	2	10.0					20	100.0
Clerks (Junior Staff)	P/M	5	100.0									5	100.0
	B/M	20	95.3	1	4.7							21	100.0
Skilled	P/M	18	94.7	1	5.3							19	100.0
	B/M	48	77.4	9	14.5	5	8.1					62	100.0
Unskilled	P/M	136	84.5	20	12.4	5	3.1					161	100.0
	B/M	194	71.6	51	18.8	24	8.9	2	.7			271	100.0
Privately Employed	P/M	35	89.7	3	7.7	1	2.6					39	100.0
	B/M	8	53.4	2	13.3	1	6.7	2	13.3	2	13.3	15	100.0
Unemployed	P/M	37	75.5	10	20.4	2	4.1					49	100.0
	B/M	—	—	—	—	—	—	—	—	—	—	—	100.0
Totals	P/M	232	84.4	35	12.7	8	2.9					275	100.0
	B/M	286	73.5	65	16.7	32	8.2	4	1.1	2	.5	389	100.0

P/M = Port Mourant
B/M = Blairmont

them. Where rumours of extra-marital relationships were verifiable, and not mere gossip, the males involved were largely of the skilled labourer and driver groups. The liaisons of four drivers with "outside women" were well-established items of common knowledge. But these activities broke up a marriage only in one case. In a fifth case a woman (separated) pointed to her last two children (who were born after the separation) as fathered by a driver, and this too was common knowledge. In still another case a major strike on an estate was ostensibly caused because the driver in charge of the female labourers allegedly took improper advantage of his position. Much came out in the ensuing official investigations, but this had no noticeable effect in his household. Of course their wives may leave them eventually, but these instances indicate the extent to which they are willing to abide by their husband's exercise of prerogative. (No unskilled labourer would normally attempt more than the most surreptitious of romances). There are hardly any moral sanctions invoked against these persons, except when the driver is unpopular and his act can be made the focus of an anti-management dispute. It appears too that the taking of these liberties is an attribute of the "big shot". It is a symbolic exercise of power and status, backed by the tradition that managers and overseers (in the past) used to exercise a similar prerogative.

Therefore among the upper-status groups the wife will desert for reasons somewhat different from those effective in the lower-status group. The husband in the upper-status groups does not reach the same emotional and moral impasse as the husband in the lower group. In the courts the upper-group husband, contesting a demand for maintenance, will state with perfect equanimity that he is willing to be reconciled. The wife remains adamant and unshakeable, and this can affect adversely the amount she will be awarded for maintenance.

There is another element of constraint which a wife can exercise on her husband by her desertion. This is connected with the provision of his domestic needs. The deserted husband will have to perform all domestic duties by himself. For a man who has to leave home at dawn and perhaps not return until evening this is a severe trial. He has to get up very early in the morning, prepare his morning meal and carry some for the midday; when he comes back in the evening he has to cook again. He will have to rely on his parents or, if they are dead, on the generosity of friends and relatives. The following examples illustrate the difficulties of a deserted husband.

XI. When Suknanand's wife left him (See example VII) he decided that he was not going back for her. He stated that on all the previous occasions when she had left him, he had gone back and apologised. He felt that his wife's family expected him to eat humble pie each time, but this time he would "learn them me ah who". After nearly a week he began to feel the strain. It was the cane-cutting season, and he had to wake up long before dawn to cook. In addition there was his father, old and half paralysed, to look after. He had no other close relatives to turn to, so he asked a close friend whether he could board with him for a fee. The friend offered to provide him with an occasional meal but was reluctant to do so regularly. This reluctance was due to several reasons

the most important of which was that he was friendly with Betlin's (Suknanand's wife's) family. He felt that if he offered Suknanand regular meals Betlin's family might think that he was encouraging Suknanand to break with his wife.

XII. When Mustapha's wife left him he announced to everybody that he was not going to take her back. However when he went to his younger brother's home for meals he discovered a reluctance on the part of his younger brother's wife to cook for him. He had opposed his brother's marriage to her, and now she was not too eager to help him. Besides she sympathised with Mustapha's wife. Mustapha now felt the lack of a regular household. Unknown to his friends, to save face, Mustapha asked his wife to come back. She refused to do so unless he gave up gambling, which was one reason why she left him. He replied that he did not want her anyway and returned home without her. Two weeks later he fell ill, and she returned to him.

Both these examples are from Port Mourant where the wife is often from the local community. She has many local kin and other allies who will support her. A whole network of personal loyalties operates as a sanction on one spouse by protecting the interests of the other. The case is rather different in Blairmont, where the wife is usually an outsider, and cannot therefore command any effective local allegiance. Still even in Blairmont the generosity of friends and relatives cannot be depended upon indefinitely. Sooner or later most married men are compelled to effect a reconciliation or marry again. Thus a husband who puts away his wife does so in the full knowledge of the organized sanction of maintenance orders, and the diffuse sanction of having to perform all the domestic duties by himself. Similarly a wife will have to consider the hardship of having to maintain a family and run a household without the substantial earnings and other help of a husband.

In addition to these sanctions there is the interest and pressure that can be exercised by family groups, provided the groups themselves are not involved in the dispute. By custom the role of arbitrator and peacemaker is assigned to the fathers of the husband and the wife, who are known by the reciprocal term of *samdhi.* Certain elements of the customary marriage rites, notably the *milap, dwar puja,* and the *maro hilai* ritually express the amity and the co-operative spirit that should ideally exist between these two persons. Prior to the marriage, during the period of negotiation, they are the key organizers of the marriage arrangements which depend on their agreeing to "join family". In agreeing to do so each *samdhi,* by implication, also underwrites the behaviour of his child. In the event of a separation the *samdhi* are expected to intervene, counsel and pacify. There are no definite sanctions to bind each person to his word, but there is a "gentleman's agreement" between them that each will do his best to control the actions of his child when it is in his power to do so.

This is the ideal; in practice much co-operation is rarely achieved, as was illustrated in examples IV and V. In Port Mourant, where the *samdhi* are usually both members of the local community, each one is in a position where he can influence the actions of the other. Friends in common, membership in the same religious organization, and other incidental activities in which they may have to co-operate, provide them with the personnel and

the means to exercise sanctions on each other. In Blairmont the only link between *samdhi* in most cases is the marriage of their children. One can do very little (except to take back his child, and so confirm the separation) to prevent the other from defaulting in his obligations. Again it is usually the father of the girl who will be most eager to mend matters since a separated daughter will only add to his liabilities. Other local kinsmen too may show some interest in the outcome of a marital dispute, especially the husband's eldest brother. During the marriage rites he is formally brought into relation with the bride, and is appointed as her "protector". She is instructed to look to him whenever she has any trouble with her husband. In practice this relationship is obscured by the practical realities such as the actual degree of closeness between one brother's family and the other's. The elder brother's protection amounts to little more than advice to the younger; even this is often not forthcoming. Nevertheless, unless the wife is clearly at fault, the husband's kin will not automatically take his side. They will attempt, for some time, to act as impartial counsellors. The following is a detailed account of the intervention of kinsmen in a marital dispute. It illustrates the values that govern behaviour, or are invoked to justify behaviour in such a context.

XIII. Samlal and Doris were husband and wife. Samlal had two brothers, and a sister, Chanmatie, who was married to Jimmy, also of Blairmont. Their father had died when they were young. Bridglal, the eldest brother, had acted as "head" of the family, and supported his brothers until they were old enough to work. When Samlal married Doris, Bridglal had made the arrangements, and paid for the wedding. Doris came to Bridglal and complained about her husband's behaviour. Shortly afterwards she informed Bridglal that she had decided to leave Samlal. Bridglal asked her not to do so until he had looked into the matter. His love of formality led him to call a family gathering, but this is not necessarily the medium through which relatives would try to influence or persuade. This sort of family gathering is neither a formal or routine event whenever there is a marital dispute. Bridglal's main intention was to speak to Samlal, find out what the dispute was about and, as the eldest of the family and the person who arranged the marriage, advise them. Doris' main complaints were that Samlal (a) did not provide money for household expenses; she had to go out and work to maintain the whole family, (b) he had an "outside woman"; (c) he removed his clothes from home and slept away from home on most nights. At first Samlal denied all these charges. Later he said that he slept out because he had to work late, that he had an outside woman because Doris was so jealous that he was provoked into spiting her, and that he gave his clothes out to be washed because Doris had refused to wash them. Doris said that she only threatened to do so because he was sleeping out. Jimmy remarked that he probably leaves his clothes with the outside woman because if it was merely a quarrel with Doris he would have given his clothes to his sister to be washed. He added that it was to his family that Samlal should look if there was any trouble; he should not go to outsiders. In trying to reconcile the two Bridglal outlined the respective duties of husband and wife. (a) He emphasised the desirability of discussing household matters together, and of each contributing all his earnings to the household budget. Samlal claimed that he gave Doris money whenever she asked him and if he had any. Doris denied this. Bridglal said it was the husband's duty to show his wife all his earnings, and then take out of it as personal expenses whatever sum they could afford. (b) He advised his brother against having outside women: A husband should devote himself to his wife; and extra-marital relationships have a detrimental effect on personal advancement and ambition. (c) He told Doris that a husband is a wife's "earthly god", and that she should perform her domestic obliga-

tions to him whatever his faults. She should never abuse him; forget the past, and always treat him with the greatest respect and consideration. (d) He asked them to be careful lest the public come to know about the dissension and start gossiping about it. What would the neighbours say, he asked, if Samlal had his meals outside, if he had his clothes washed outside, if they saw that his wife had to cut her own firewood, if they knew that he did not sleep at home? What would happen, he asked, if a man abandoned and cursed his wife in public, if he no longer stayed at home to protect it? Would they not all be shamed? Bridglal emphasised this sanction of public opinion several times. Bridglal ended the conversation by adjuring them to live in harmony, and by advising Samlal to treat Doris as well as he would like to see his sister treated.

It should be noted that all Bridglal could do was to advise. He had no power to make Samlal and Doris conform to what was "right" if they did not wish to listen to him. Since he was the eldest brother, and had stood in a paternal relation to Samlal he was considered to be the "head" of the family. The others referred to him as this during the conversation, and he considered it his business to see that their affairs were progressing smoothly. From this position he could wield a certain moral authority. He, more than anyone present, was qualified to represent the normative social order, and to present the social values which should conventionally guide behaviour in this situation. Samlal and Doris were not ignorant of these values. Their dispute was framed in terms of these same values. But coming from a person vested with some moral authority they carried greater weight. Values accepted by all were projected on to the facts of the dispute with a sharper focus, and both husband and wife had to justify his or her behaviour in terms of these values. This is the only control the kinship group could exercise.

One of the points Bridglal stressed repeatedly was the attitude of the public to the dispute. The norm supported by public opinion is "living good". There is no sentiment critical of separation as such. Social disapproval is directed not against separation but against quarrels and disturbances – "bad living in the house", "living like cat and dog". The main emphasis of the group's advice was that Samlal should not let his domestic disputes become a topic of public knowledge and discussion. At no point was any statement made to the effect that to separate as such was bad. If a man, quietly and without attracting too much attention, sends away his wife and takes another, his reputation will not be adversely affected. A man's marital history will not be used against his candidature for posts in associations; nor will a series of marriages lead to his decline in public esteem. Several persons of high status in religious organizations have been separated once and more. There is no public censure attached to a woman who leaves her husband. A woman who leaves her husband has no difficulty in obtaining another husband provided she does not have many children. The shame lay in Samlal having a wife and a home and yet living out; in earning money and yet neglecting his home – that was the social disgrace. What they emphasized was that he should not "abandon" his wife, curse her in public, or neglect his home. The orderly home with a contented wife and the undisturbed dominion of the husband are marks of prestige.

It was remarked earlier that the system of social status derives mainly from the occupational structure. Differences in behaviour between the occupational strata can throw some light on this distinction in the application of public censure. Persons in the upper-status groups exercise a greater control over their homes. Their wives do not usually earn, and therefore have slender resources to back them in conflicts with their husbands. The type of woman who marries an unskilled labourer will have no difficulty in earning her living as a weeder. But the type of woman who is married to a clerk is not in a position to do that. The husband is practically the sole wage-earner and there is little likelihood of his pre-eminence in the household being challenged by any other competitor. Consequently when a husband of this group deviates from the norms of marital behaviour there are fewer (and less effective) protests; the ensuing conflicts are easily contained, and the household runs more or less smoothly. It was stated earlier that several husbands of this group are well known to have "outside women" and "outside children". This, as was remarked, even adds to their prestige. Their actions do not result in any dramatic conflicts in their homes at which the whole neighbourhood is an interested audience. Thus when Bridglal told his brother that having outside women will not help him in his social advancement, he did not mean that this fact of itself would give him a bad reputation which would hamper his progress. It was the ensuing disturbance in his household that would lower his prestige in his neighbours' eyes. The disturbance would show him as a man who was not the master of his household.

Much of the foregoing description of marital relations in higher-status groups applies to drivers and skilled labourers rather than to clerks. The position of a clerk is somewhat different from that of a driver in the system of social status. An unskilled labourer could reasonably aspire, through skill, diligence, and pleasing his superiors, to become a driver or a skilled labourer. But to become a clerk normally requires some secondary school education which most unskilled labourers do not possess, since their formal education ceased somewhere during the primary school stage. A clerk has about four or five years more schooling than an unskilled labourer. Since education is one of the most important processes of socialization in the dominant values of the wider society, there is a greater acceptance among clerks of the values and attributes of this society. In Blairmont the proportion of legal marriages in the unskilled group is about one-fifth; among the clerks it is about half. In both Port Mourant and Blairmont hardly any clerk (one in Blairmont and none in Port Mourant) is engaged in a common-law union (i.e. a marriage that is validated neither by a customary rite nor by law). The extent of conversion to Christianity — a rough but reliable index of creolization — is much greater among clerks than among the other groups. As an upper stratum drivers and skilled labourers are differentiated in terms peculiar to the local social system; by their status in the

hierarchy of labour, their badges of office, mannerisms and their ability to realize more fully the ambitions for power and control over persons and resources. Structurally the clerks belong to the same upper stratum, but that which differentiates them from the ordinary labourers – English education, clerical work, and middle-class manners and attitudes – is explicable in terms of the values of the wider society rather than in terms of the values and activities peculiar to the local community.

Table 3 correlates occupational status with marital experience. For reasons which have been discussed in the foregoing paragraph the junior staff has been divided into clerks and drivers. Drivers come from the ranks of unskilled labour and, for a certain period of their lives, would have been subject to the same pressures that operate among unskilled labourers. Similarly, not all skilled labourers started life as industrial apprentices. Many of them were originally unskilled labourers in the field or the factory. Yet both these groups of drivers and skilled labourers gradually respond to the standards set by the clerks. The recent institution of junior staff clubs on estates has led to closer interaction between drivers and clerks. The difference and uncertainty in the behaviour of drivers, due to such things as their inability to play table tennis or dance at gatherings in these clubs, reflect their sense of social inferiority. One could predict that this closer interaction will result in the gradual process of acculturation of the drivers to middle-class attitudes and values.

Compared to the unskilled labourers, the skilled labourers and the drivers, the clerks show a low percentage of persons who have experienced a marital separation. The percentage for Blairmont is 4.7 percent and for Port Mourant it is nil. Almost all clerks begin to work in the clerical grade. Their households are less involved in wider family groups, and a regular salary is conducive to a more orderly household régime under the control of the husband. Since they are more creolized their adherence to the symbol of the "Indian" husband is less than among the more "Indian" unskilled labourers. At the same time they have assimilated more fully the canons of respectability of the Guianese middle class. They are not ethically neutral towards separation, and are more susceptible to the sanctions of the wider society against their irregular marital and sexual relationships.

Summary

Conflicts that lead to marital instability in these two communities are closely related to the social system of each. One major area of conflict lies in the processes that integrate the wife (the norm being patriocality) into the local kinship group. The norm of an independent household unit (supported by the estate authorities, and having a wide currency among the labourers themselves) comes into considerable friction with the close interaction of the wider kinship unit consisting of parents and their married children which is a marked feature of the Indian kinship system. The in-

corporation of the son's wife into this group is made more difficult by the ties that bind her to her own family. Since most marriages (in one of the communities) have no formal legal validity the retention of these ties is important because the son's wife's family is the surest protector of her rights (which could be infringed by the process of incorporation).

A second area of conflict lies in the incompatibility between the cultural ideal of the supremacy of the husband in his household, and the economic realities which reduce his actual power and increase his dependence on his wife in the management of the household.

Both these types of conflict have a differential relevance for the different groups of the occupational hierarchy. The independence of the nuclear family from the wider kinship unit is more nearly realized in the higher occupational categories. At the same time a relative prosperity enables the husband to maintain a domestic régime without many challenges to his authority.

The pervasiveness of the factors that lead to instability results in the occurrence of at least a temporary separation in the history of most marriages. Whether these separations become final or not depends on certain controlling factors which vary in their incidence in particular cases and as between the two communities. This difference stems from differences in the kinds of marriage practised in each community. The tendency in Port Mourant to marry within the community helps to contain the conflicts that arise between husband and wife, and between their parental families. Ties of reciprocity created by common activities, and the local network of personal loyalties help to regulate these conflicts. Such informal controls cannot operate when, as in Blairmont, affinal links extend beyond the limits of the local community. Another relevant difference is the much higher proportion of legal marriages in Port Mourant. This makes possible the use of the courts for the regulation of marital relations much more freely than is possible in Blairmont where most marriages are non-legal.

There is very little social disapproval of separation as such. Re-marriage is both easy and necessary. In Blairmont only 4.7 per cent of persons ever married are currently separated; the corresponding figure for Port Mourant is 4.9 per cent. In these two estate communities, though the proportions of currently separated persons are very similar, the proportions of persons who have experienced a final separation are different because of the greater effectiveness in Port Mourant of the processes of reconciliation discussed above.

References

1. SMITH, R. T. and JAYAWARDENA, C. (1958) "Hindu Marriage Customs in British Guiana", *Social and Economic Studies,* Vol. 7, No. 2. University College of the West Indies, Jamaica.
2. SMITH, R. T. and JAYAWARDENA, C. (1959) "Marriage and the Family amongst East Indians in British Guiana", *Social and Economic Studies,* Vol. 8. No. 4. University College of the West Indies, Jamaica.

Household And Family In The Caribbean[a]

SOME DEFINITIONS AND CONCEPTS

By

Nancie L. Solien

In recent years much attenton has been directed toward the family system observed in Afro-American communities. Typical features of this system include the high percentage of "non-legal" or "irregular" conjugal unions, legal marriage being typical only of the upper classes and well-to-do. The separation rate is high and children almost invariably remain with the mother. Women occupy a prominent position in this system; some writers even describe certain household groups as being "matrifocal" *(15)*, "mother-headed" *(4)*, "matriarchal" *(8)*, "maternal" (8), etc. Such designations have served to emphasize the fact that many domestic groups in these societies include no male in the role of husband-father. In spite of minor differences, especially in regard to quantitative data on the types of families found in any given community, it is apparent that the situation is fundamentally the same in such widespread areas as Jamaica, Trinidad, British Guiana, Haiti, Brazil, the southern United States, and the Caribbean coast of Central America.

The specific object of investigation in many of these societies has been the family *(1, 7, 11, 14, 15)*. There has been a tendency to identify the family with the household, a procedure which, as we shall see, has some precedent in anthropological usage. However, the situation in these societies differs so much from those described in other parts of the world, that great difficulty often arises when one tries to apply the classical concepts of "family" and "household" in Afro-America. Unfortunately, too often the writer merely glosses over the conceptual difficulty, using the terms interchangeably without defining them, and as a result there is much confusion in the literature.

It is the purpose of this paper to examine various definitions and usages of the terms "family" and "household" in order to determine their usefulness in analyzing Afro-American society.

Few writers have distinguished between family and household on either a theoretical or a descriptive level. Empirically the two are quite often identical, especially when one is dealing with the nuclear family. There is general agreement in the literature that within a household one finds a family of one

[a]This paper was read before the Third Annual Meeting of the Kroeber Anthropological Society May 16, 1959, in Berkeley, California. The writer is indebted to David M. Schneider for valuable comments and suggestions during the preparation of the manuscript.

type or another. Thus, Murdock includes common residence, along with economic co-operation and reproduction, as defining characteristics of the family (*12*, p. 1).

Radcliffe-Brown, after defining his term, "the elementary family", as a father, a mother, and their children, says that this unit "usually provides the basis for the formation of domestic groups of persons living together in intimate daily life" (13, p. 5). He goes on to give several examples of such domestic groups, each of which could be classified as an extended family.

Lowie defines the family as "the association" that corresponds to the institution of marriage, recognizing that the character of the interpersonal relations among the members is of more importance than the actual membership. He notes that a household may include persons unrelated by kinship ties who are excluded from the family, yet presumably to him too the family forms the core of the household (*10*, pp. 215-216).

Linton distinguishes between what he calls "conjugal" and "consanguine" families. His definition of each implies common residence of spouses and their offspring, the primary difference between the two types being that in the consanguine family the inmarrying spouses are relatively unimportant (*9*, p. 159-63).

It is apparent that most anthropologists think of a family as a co-residential group within which there is at least one conjugal pair plus at least some of the offspring of this pair. Various extensions of this unit may occur typically in different societies, such extensions being based upon kinship ties (consanguineal and/or affinal) between other persons and one member of the original conjugal pair. Conversely, the household generally refers to a group of persons who live together and co-operate in at least some if not all domestic affairs. A family unit of some type is generally assumed to be the nucleus of the household, though there may also be present some unrelated persons.

Outside of the Afro-American area there have been a few other societies described in which the above concepts do not prove useful. Notable examples include the Nayars in South Malabar and Cochin in which the household unit traditionally contained as regular members only matri-lineal kin. Gough states that "the simplest traditional dwelling-group is therefore a sibling group, together with the children and maternal grandchildren of the women" (*6*, p. 85).

The Ashanti also exhibit a pattern of duo-locality, in which husbands and wives, especially during the early years of marriage, do not reside together. Fortes describes three types of domestic unit: (a) households grouped around a husband and wife; (b) households grouped around an effective minimal matrilineage, or part of it; and (c) households made up of combinations of the two previous types (*2*, p. 69). Type (b), containing no conjugal pair, would not be equivalent to a family.

Henriques says in regard to Jamaica, ". . . the best method of classifying family groupings appears to be the adoption of the term domestic group as the unit of family structure in the island" *(7)*. Yet he also notes, "In Jamaica

the domestic group is the residential unit which constitutes a household. The domestic group may, but does not always, consist of the elementary biological family". On the other hand, he says, "Family groupings can be divided into those with a conjugal and those with a consanguineous basis (p. 105).

R. T. Smith (*16*, p. 67) states that ". . . most writers are agreed that the main functioning family unit in the Caribbean is a household group." He then defines the household as ". . . a group of people occupying a single dwelling and sharing a common food supply." His data, as well as those of many other writers show that very often the household group contains no conjugal pair. He does not further define the family, but instead uses the term interchangeably with household group.

Obviously, these usages do not correspond to the definitions ordinarily used by anthropologists. As we have seen, in spite of minor differences in phraseology, most writers insist upon some form of marriage as the basis of the family. A household, on the other hand, is primarily a residential unit, and although it *may* and usually does include some sort of family as its core, the definition does not insist upon this as a criterion.

Goody (5, p. 56) takes this view when he says ". . . the use of the blanket term "family" to indicate groups which are specifically defined by residence and descent as well as those defined by the existence of the marriage bond may be adequate for Euro-American systems in which there is considerable overlap, but it can be highly confusing in terms of other societies".

Fortes too, has pointed out that in many cases it is useful to distinguish analytically between the elementary family and the domestic group. He notes that the actual composition of the two may be identical, but that the reproductive functions of the group may be separated from the householding and housekeeping functions. He differentiates the two units on the basis of the types of bonds obtaining among the members. An elementary family is constituted solely by the bonds of marriage, filiation, and siblingship, while the household or domestic group may include persons bound together by various kinds of jural and affective bonds other than these *(3)*.

One aspect of the problem in the Caribbean has been well phrased by Clarke, who says:

> The anthropologist in search of the family *sees* (italics hers) first the house . . . Within that house, be it hut or cottage, is contained, for some part of the day or night, part of the group which he is about to study.
>
> But what part of it? Will he find the majority of these households to contain parents and their children, or mothers only with their daughters and their daughters' children; or a man and woman with some only of their offspring? Or, instead, will he find a heterogeneous collection of kin, brought together by some new pattern of association, based on a system of relationships fundamentally different from that found in other societies elsewhere? (*1*, p. 28).

In fact, all of these situations may be found within most Caribbean communities today. Clarke suggests a typology in which she distinguishes between "family" households and "consanguineous" households. The latter may be one of three types: (a) denuded family households in which there is only one parent, plus children, grandchildren, or other lineal relatives of the parent; (b) sibling households in which adult brothers and sisters live under

one roof; and (c) single person households (common only in towns to which people travel to obtain wage-labour during part of the year) *(1)*.

It is my view that some distinction between family and household such as that made by Clarke is not only useful but necessary in dealing with Caribbean society. It seems to me that the fact that some households contain no family as ordinarily defined by anthropologists is one of the most important characteristics of Caribbean society. Elsewhere I have stressed the consanguineal nature of these households as a key to their understanding *(17)*.

It is, of course, perfectly legitimate to view the society in terms of household units as long as the investigator distinguishes these from families. Presumably, the universe may be completely divided with a classification like Clarke's, for all persons would belong to one or another type of household. Does this mean then, that some persons are members of families and others are not? Undoubtedly, this is sometimes the case, but I suggest that in order fully to understand Afro-American society it is necessary to view it in terms of household units on the one hand, and family units on the other. I would maintain that many, if not most, individuals belong to both a family and to a household. At times the two units coincide, but quite often they do not.

In order to illustrate this point I shall draw upon my fieldwork of a year's duration among the Black Carib of Livingston, Guatemala[a] — a group of people whose culture is similar enough to other Afro-American groups to warrant classifying them together *(18)*. The nuclear family unit among the Carib may be scattered in several different households. For example, the husband-father may be living with his own mother, one or more children may be with their maternal relatives or with non-Caribs, while the mother may be working and "living in" as a maid in one of the port towns. Some may then assert that under such circumstances this no longer constitutes a family unit. However, if the nature of the personal interrelationships among the group members is considered, it may be seen that there exists a pattern of affective and economic solidarity among them. It is true that many such groups are extremely brittle and unstable, but they do exist for varying lengths of time. And for their duration the members think of themselves as a unit; when questioned as to their family connections they will immediately name and locate their primary relatives. Furthermore, there is some economic co-operation among them, the man generally contributing a part of his wages (or money from sale of cash crops) to the woman and the children. The woman too, if working, may give money to the man, and certainly sends clothing and money to the household(s) in which her children are living.

Another common arrangement is that in which the husband maintains a single-person household in one town, leaving his wife and children living together in another. The latter would appear to be Clarke's denuded family household. However, I think it is important to recognize that within this

[a]This fieldwork was conducted from July, 1956 to July 1957, and was sponsored by the Henry L. and Grace Doherty Foundation and the Dept. of Anthropology, University of Michigan. Grateful acknowledgment is made to both.

type of household one may find either of two fundamentally different relationship patterns. The man, though living elsewhere, may make frequent trips to visit his wife and children, contributing a large part of his wages toward their support. They consider that he "lives" with them, though he may not actually have resided there for a number of years. The man will return to his family immediately in times of crisis, or when important decisions must be made. He also returns whenever possible to assist the woman in clearing fields, to make repairs on the house, etc. He remains a highly important influence in the socialization of his children. I would call this group a non-localized family.

On the other hand, the single parent (most often the mother, although occasionally one finds a father alone with his children) may be completely unattached to any individual who might be called a spouse. She may receive a small amount of economic assistance from the father or fathers of her children, but for the most part she is dependent upon herself and her consanguineal relatives in maintaining and socializing her children. This situation, which on the surface appears identical to that described above, is obviously entirely different. Although Clarke's term, the "denuded family", is somewhat descriptive of the situation, it is nevertheless ambiguous since it may refer to either set of relationships described above. I would not call this unit a family at all; consisting only of a mother and her children, it is on a lower level of organization than a family which must include a conjugal relationship and what Fortes would call patri-filiation *(3)*.

Another interesting and pertinent example is that of the Israeli *kibbutz*. Here we find a situation in which married couples co-reside, but their children live elsewhere. Although Spiro *(19)*, following Murdock's definition of marriage *(12)*, states that the relationship between these couples does not constitute marriage, it seems clear from his data that the society itself recognizes the relationship as such. He points out that these couples are eventually united in accordance with the marriage laws of the state. Furthermore, he goes on to state that the family does not exist within the *kibbutz* system, unless one wishes to consider the *kibbutz* itself as a large extended family. Again, Spiro has followed Murdock's definition of the family in arriving at this conclusion.

However, Spiro makes it clear that within the *kibbutz* there does exist a group which could, by another definition, be termed a nuclear family. He says: "The social group in the *kibbutz* that includes adults of both sexes and their children, although characterized by reproduction, is not characterized by common residence or by economic co-operation" (*19*, p. 840). He goes on to show that this group is characterized by psychological intimacy, affection, and joint recreational activities. Although the children's physical and mental development for the most part is supervised by persons outside this family unit, Spiro notes that, "Parents are of crucial importance in the *psychological* development of the child" (italics his). "They serve as the objects of his most important identifications, and they provide him with a

certain security and love that he obtains from no one else" (*19*, p. 844). In view of the strength of the affective bonds among this group, which includes their own recognition of themselves as a separate, cohesive, and enduring unit, I suggest that the family as an institution *does* exist withn the *kibbutz*. If one wishes to liken the entire *kibbutz* to an extended family, then why not consider these smaller units of mother, father, and children as nuclear families?

In conclusion, I propose that the family be defined as a group of people bound together by that complex set of relationships known as kinship ties, between at least two of whom there exists a conjugal relationship. The conjugal pair, plus their offspring, forms the nuclear family. Other types of family may be defined as extensions of the nuclear type, each being identified by the nature of the relationship between the conjugal pair (or one member of that pair) and other members.

The household, on the other hand, implies common residence, economic co-operation, and socialization of children. Although the members of the household may be bound by kinship relationships, no particular type of tie is necessarily characteristic. In any given society a particular family may or may not form a household. Conversely, a household may or may not contain a family. Although it is probably useful to make an analytical distinction between the two concepts in all cases, the investigator must be particularly careful to examine the structure and functioning of both types of units in those societies in which their membership does not coincide.

References

1. CLARKE, Edith (1957) *My Mother Who Fathered Me*. London.
2. FORTES, Meyer (1949) "Time and Social Structure: an Ashanti Case Study", in *Social Structure: Studies Presented to A. R. Radcliffe-Brown*, Meyer Fortes, ed. Oxford.
3. FORTES, Meyer (1958) Introduction to *The Developmental Cycle in Domestic Groups*, Jack Goody, ed. Cambridge Papers in Social Anthropology, No. 1.
4. FRAZIER, E. Franklin (1939) *The Negro Family in the United States*. Chicago.
5. GOODY, Jack (1958) "The Fission of Domestic Groups among the Lodagaba", in *The Developmental Cycle in Domestic Groups*, Jack Goody, ed. Cambridge Papers in Social Anthropology, No. 1.
6. GOUGH, E. Kathleen (1952) "A Comparison of Incest Prohibitions and the Rules of Exogamy in Three Matrilineal Groups of the Malabar Coast", *International Archives of Ethnography*, XLVI, No. 1, pp. 82-105.
7. HENRIQUES, Fernando M. (1953) *Family and Colour in Jamaica*. London.
8. HERSKOVITS, Melville J. (1958) *The Myth of the Negro Past*. Beacon Edition, Boston.
9. LINTON, Ralph (1936) *The Study of Man*. New York.
10. LOWIE, Robert H. ((1950) *Social Organization*. London.
11. MATTHEWS, Dom Basil (1953) "Crisis of the West Indian Family", *Caribbean Affairs*, Vol. 9. University College of the West Indies.
12. MURDOCK, George P. (1949) *Social Structure*. New York.
13. RADCLIFFE-BROWN, A. R. (1950) Introduction to *African Systems of Kinship and Marriage*, A. R. Radcliffe-Brown and Daryll Forde, eds. London.
14. SIMEY, T. S. (1946) *Welfare and Planning in the West Indies*. Oxford.
15. SMITH, Raymond T. (1956) *The Negro Family in British Guiana*. London.
16. SMITH, Raymond T. (1957) "The Family in the Caribbean", in *Caribbean Studies: a Symposium*, Vera Rubin, ed. University College of the West Indies, Jamaica.
17. SOLIEN, Nancie L. (1958) *The Consanguineal Household among the Black Carib of Central America*. Ph.D. dissertation, University of Michigan.
18. SOLIEN, Nancie L. (1959) "West Indian Characteristics of the Black Carib", *Southwestern Journal of Anthropology*, Vol. 15, No. 3, pp. 300-307.
19. SPIRO, Melford E. (1954) "Is the Family Universal?", *American Anthropologist*, Vol. 56. No. 5, pp. 839-846.

REVIEW ARTICLE

ECONOMIC DEVELOPMENT: A NEW STRATEGY[a]

By

LLOYD BEST

In this book Professor Hirschman has drawn on four years of first-hand experience of one of the underdeveloped countries to produce a fresh interpretation of the development problem in general and to erect an unorthodox set of principles of action for resolving it. For what it has to say about the *process* of development the book is an important work to development theorists and a challenge to empirical investigators: for what it says about *strategy* it cannot be lightly dismissed by policy makers and, above all, for its conception of what the development problem is, it points to the barrenness of economics as a *separate* social science when it is required to explain stagnation or change.

A new conception of the development problem is really the basis for the whole book and is given first treatment. Professor Hirschman is discouraged by the list of conditions which are usually cited in existing literature as essential pre-requisites to development but are derivable only from the development process itself – a vicious circle! He prefers to think that "development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and enlisting for development purposes resources and abilities that are hidden, scattered, or badly utilized" (p. 5).

He regards many of these factors as latent rather than absent, so much so that he is sceptical of the distinction which is often made between the problem of cyclical unemployment in a developed economy and the problem of development in an underdeveloped country. Besides, many of the apparent obstacles to development, like the extended family, have properties which make economic development easier to achieve. So then, the argument that economic development is caused or hindered by the presence or absence of some specific set of factors or conditions is unacceptable to Professor Hirschman. He seeks to reduce all these specific scarcities to one basic scarcity which he terms 'growth perspective' comprising "not only the desire for economic growth but also the perception of the essential nature of the road leading toward it" (p. 10).

It appears that it is this crystallization of the scarcities into one basic scarcity that is at the heart of Professor Hirschman's approach. It is true, as he himself realizes, that this reduction of the scarcities to one does not

[a]A review article of *The Strategy of Economic Development*, by Albert O. Hirschman, Yale University Press, New Haven, 1958. $4.50.

eliminate the plague of the vicious circle for, as with almost all of the specific factors listed in current literature the 'growth perspective' can only be gradually acquired in the course of growth. None the less Professor Hirschman claims for the circle to which his diagnosis leads "a privileged place in the hierarchy of these circles". This is because his circle alone "places the difficulties of development where all difficulties of human action belong: in the human mind". The claim is perhaps somewhat extravagant, especially in view of some of the literature cited by Professor Hirschman himself (e.g. the motivation theorists have surely been attempting in some degree to locate the basic scarcity in the mind) but once at the level of the mind Professor Hirschman stresses a distinction of critical importance. This is the distinction between the desire for growth on the one hand and the perception of the nature of the way to it on the other. It is a distinction which fits very well the evidence in underdeveloped countries of a desire to improve material welfare (the maximization assumption of economics) and the general absence of conspicuous success which has accompanied it. It may well be that the failure of development decisions and decision-makers results from a failure in the underdeveloped areas to perceive the strategic requirements of the development goal and to construct a set of principles of action which are compatible with the achievement of it. Among public planners and private would-be entrepreneurs alike the failing seems to be common, and Professor Hirschman's use of the concept of the 'image' to show how the number and effectiveness of development decisions can be limited by the particular vision of change must have contributed greatly to an illumination of this puzzling phenomenon. It is a sign too of the growing recognition on the part of economists of their dependence on the other branches of social science for some of the tools with which to explain change. So far economics has been concerned in the main with 'tertiary' phenomena (quantities saved, invested, consumed, produced, distributed) and as a result have remained relatively primitive in the sphere of secondary (decision-making) and primary (motivational) phenomena from which these tertiary phenomena follow. It is fine irony that it is the problem of the *economically underdeveloped* countries which is broadening the vision of economics — essentially a science of the developed economies.

Having concluded that the development problem is the need to make the road to the goal more clearly perceptible (thereby reducing the possibility of contradictory drives toward it) Professor Hirschman sees the real challenge in the finding of ways to induce decisions that would lead to development. He remarks: "Development theory and policy therefore face the task of examining under what conditions development decisions can be called forth in spite of these imperfections (in the development-making process) through pacing devices and inducement mechanisms" (p. 26).

In his attempt to visualize and sketch for us a picture of the development road and to formulate from this a strategy of development for planners Professor Hirschman examines and rejects two popular approaches. He finds

that growth models of the Harrod-Domar kind are of only limited applicability to underdeveloped countries — a view which reinforces Indian experience *(3)* — and, more provocatively, that the currently popular notion of 'balanced growth'[a] is both incompatible with the idea of development and impractical as a strategic device.

Since in underdeveloped countries savings seem often to be as responsive to the perception of new investment opportunities as they are to increases in income and since the overall real rate of return on capital is unstable and unpredictable in these countries in the early developmental phase, models of the Harrod-Domar kind (which employ savings as a function of income and the capital/output ratio as the key variables) cannot have much operational significance. Professor Hirschman favours some kind of model which would integrate the scarce (and therefore critical) factor, the ability to invest, into a relationship with economic performance past, present and future. The ability to invest is the *combining agent* (rather like money in the Keynesian system) which brings together the 'idle' factors of saving and investment opportunities. Whereas in the developed economy the central task is to find saving to match investment opportunities — the entrepreneurs will do the rest — and output will grow automatically according to the capital-output ratio, in the underdeveloped economy, the mere presence of saving and of investment opportunities (unperceived) does not always lead to increased output owing to the scarcity of the combining agent.

Here is an attempt to recognize that there is 'idle' saving in many of the underdeveloped countries which are said to be short of capital. 'Idle' both in the sense that saving is highly elastic to increased perception of investment opportunities — Professor Hirschman's sense — and in the sense that actual saving is partly hoarded[b] and partly exported at lower rates of return than would come from the exploitation of opportunities at home. If it is granted that the investment opportunities are economic and not purely technological possibilities, then it becomes essential to see the process by which these are utilized in terms which take account of the ability to invest.

Professor Hirschman sees the ability to invest as a coefficient v, that applied to the total income Ym of the economy's modern sector, yields investment $v.\ Ym$ that can and will be undertaken provided the finance is available; "s is the propensity to save out of total national income Y. Where v is smaller or $\frac{Ym}{y}$ is small total investment is small. But as the modern sector expands $v.Ym$ expands also and provided that v is larger than s will eventually catch up with sY." This is an interesting new *formulation* of the same ideas which were perhaps in the minds of the theorists who have stressed the absence of entrepreneurship as an obstacle to development and have recom-

[a]See Paul Streeten *(1)*. Streeten here makes a very lucid appraisal of the notion.

[b]Hoarding exercises a drag on development only when real goods are hoarded. The reference here is therefore not to money hoards which, though they may affect the development rate via their monetary effects, do not necessarily keep goods out of the market.

mended 'non-conventional inputs' as a part solution of economic backwardness.

Professor Hirschman does not relate the ability to invest to non-conventional inputs (which is what these theorists have in fact done). He relates it to the modern sector. This is an important difference. If we take the main non-conventional input in this context as investment in education and if we can accept the notion of the modern sector (defined in some sense as a place where there are people who have developed the ability to invest and some other people in the process of acquiring it) then the difference reduces to a difference as to whether direct investment in education can produce more entrepreneurs per unit of expenditure than direct investment in creating a modern sector. This is a point of some operational significance for in Professor Hirschman's model anything which speeds up the expansion of the modern sector speeds up also the creation of the ability to invest and therefore makes further development possible (to the extent that the availability of saving and investment opportunities allow). Public funds may therefore sometimes be more profitably used in subsidizing or aiding the promotion of industry rather than in education[a] and other kinds of social overheads which at best invite and create conditions under which development may be possible but do not compel it.

Professor Hirschman sees investments in the modern sector compelling further investment "with a will and logic of their own". They make new investment decisions comparatively easy to take, "and are likely to attract newcomers who will join the rolling development bandwagon while the operators who have had the benefit of the education offered by the modern sector can be spared for the many difficult investment decisions that remain to be taken". (p. 42).

The working of this process which increases the effective ability to invest and forces development along depends on the complementarity of investment. Current investment acts as a "pace-setter for additional investment" in a way which is not integrated into traditional investment theory. Professor Hirschman is stressing here a direct investment/investment relationship to which the creation of capacity, income and saving which is central to the process of growth envisaged by growth theorists (working in the main with images of the developed countries in their minds) is incidental (though more important than Professor Hirschman explicitly allows). With saving highly responsive to the call of investment opportunity what is more important is the way in which certain crucial investments create and/or expose to all would-be entrepreneurs profitable investment possibilities which can

[a]It would be interesting to examine the extent to which education in certain underdeveloped countries today restricts rather than releases the developmental energies of people. In advanced countries education tends to be oriented towards the creation of people who can make contributions to the improvement and extension of the modern sector; in backward countries education is often found to be trying to create other kinds of skills probably because the way of life of the people in general is not very related to the way of life of people in the modern sector.

Compare this view with the view of Theodore Schultz *(2)*. Schultz stresses the need to invest in "improving the quality of people . . ."

be perceived and exploited with relatively low levels of perceptiveness and intrepidity.

By looking at the development process in this way Professor Hirschman is able to extend existing investment theory to cover the early phase of development. He sees the ability to invest as a floor which determines a level below which investment will not fall so long as there is idle saving. Investment will expand – feeding on complementarities and the external economies which it makes possible for new investments – and this expansion will continue until the ceiling of saving set by traditional theory comes into play.

As a theoretical exposition of the way in which the development process works this would seem to be a positive contribution to development literature. Moreover, though there is very little empirical evidence as yet available to support some of Professor Hirschman's hypotheses it would be indeed surprising if the direct investment/investment relationship which Prof. Hirschman emphasizes is found to be without support in the happenings of the real world.

This extension on the part of Professor Hirschman of existing investment theory has led him to a complete rejection of one of the development devices proposed in current development literature. He repudiates the doctrine of balanced growth about which he confesses to have always been uneasy. His own analysis leads him to see development as a chain of disequilibria, as being, by its very nature, unbalanced and as proceeding by way of the continuous correction and over-correction of imbalances. Thus there is a clear process of growth envisaged. On the other hand, the balanced growth doctrine, as Professor Hirschman interprets it, "reaches the conclusion that an entirely new, self-contained modern industrial economy must be superimposed on the stagnant and equally self-contained traditional sector" (p. 52). This, even if it were possible, is not acceptable to Professor Hirschman as *growth*. But in any case, it is not possible because "its applicability requires huge amounts of precisely those abilities which we have identified as likely to be in very limited supply in underdeveloped countries" (p. 53). It is clear that so far as the balanced growth doctrine implies the grafting of a new sector on to the old traditional one and the utilization of resources which are not in fact available to the countries concerned, Professor Hirschman is right in rejecting the doctrine out of hand. But it is difficult to believe that the theorists who have propounded this motion[a] can begin their analysis by listing a number of scarce resources and end by finding a solution which requires an extensive amount of these same scarce resources. What must really be implied by the balanced growth doctrine is as follows: *to the extent that resources are available* it is advisable to anticipate complementarities by spreading out investment in simultaneous undertakings. As such the notion does fail (as Professor Hirschman remarks) as a theory of development, because this is only a slight and an obvious contribution. But the same is true

[a]Professor Hirschman cites Rosentein-Rodan, Nurkse, Scitorsky and Lewis. See also Streeten (*1*).

of the notion of unbalanced growth. The difference between them is that the one views *ex ante* the same process which the other views *ex post*. The balanced growth theorists are looking at the development process at points at which imbalances are corrected (as economists they are as yet unable to give up the notion of equilibrium as a tool) while Professor Hirschman is looking at it at points where the imbalances are *created*. But neither notion by *itself* provides a theory of development. The doctrine of unbalanced growth now appears to be a better tool because Prof. Hirschman has made the important contribution of following through the way in which the imbalances created in the course of development bring into play corrective forces. If there are in fact effects which make the perception of investment opportunities easier than before and thereby effectively increase the scarce factor, the ability to invest, these effects can presumably be incorporated into a doctrine of either balanced or unbalanced growth for these are essentially two sides of the same coin.

Professor Hirschman presents some interesting development strategy and investment criteria which follow from the theory of development which he has sketched. He finds that in making investment choices "the question of priority must be resolved on the basis of a comparative appraisal of the strength with which progress in one of these areas will induce progress in the other". To be able to do this he does not think it sufficient to refine, supplement and qualify the usual investment criteria. "We must evolve entirely new aids to thoughts and action in this largely uncharted territory of efficient sequences and optimal development strategies" (p. 79).

Exploring the notion of efficient investment sequences Professor Hirschman reminds us that "efficient sequences will necessarily vary widely from region to region and from country to country depending on the location and stubbornness of the principal development difficulties" (p. 83). This seems a trivial point but in fact since the theory of economic policy is nowadays largely internationalized and experts are propounding measures for 'the underdeveloped countries' it is a point worthy of some stress. Further to the question of efficient sequences Professor Hirschman also examines investment policy in social overheads which are often uncritically considered to be first priority in underdeveloped countries partly because they are 'safe' (in the sense that the marginal efficiency of investment is not subjected to the test of the market) and partly because there is a conventional prejudice against the entry of the public sector into 'directly productive activities'. Professor Hirschman is somewhat wary of this line of action because, on the whole, investment in social overheads tends to be more permissive and less compulsive of further development than investment in directly productive activities. As he puts it: ". . . if we endow an underdeveloped country with a first class highway network, with extensive hydroelectric and perhaps irrigation facilities, can we be certain that industrial and agricultural activity will expand in the wake of these improvements? Would it not be less risky and more economical first to make sure of such activity, even though it may

have to be subsidized in view of the absence of adequate transportation and power, and then let the ensuing pressures determine the appropriate outlays for Social Overhead Capital and its location?" This is a brave and challenging approach to the problem of priority although it is an approach with limitations (which Professor Hirschman recognizes). None the less it is an approach which planners cannot easily ignore.

Examining further the idea of efficient sequences Professor Hirschman introduces the idea of 'linkage' which relates an initiating industry to a set of industries whose establishment is induced to supply inputs into the initiator (this is the case of backward linkage) and to a set of industries whose establishment is induced by the availability of the output of the initiator (the case of forward linkage). The suggestion here is that "Development policy must attempt to enlist these well-known backward and forward effects . . ." and so the challenge which is being thrown out to find (perhaps through input/output statistics) ways of ranking investment opportunities according to the probability they hold out of forging many or few links and according to the expected net[a] outputs of the to-be-linked industries. Again Professor Hirschman is providing serious food for thought for public planners and for the Development Corporations and other agencies engaged in the business of fostering economic development.

Once Professor Hirschman has outlined the development process and examined the problem of development strategy most of the rest falls into place neatly. Foreign trade is seen as making a positive contribution to development by taking outputs and providing inputs in the interim before linkage and imports are seen as playing an obstructive role after domestic production thresholds are reached. Inflation and balance of payments difficulties are found to be essential features of the development process, being the signals which bring forces of adjustment into play. With the roles of these two clear, the required part to be played by foreign aid is also easily determined. If inflation, trade and balance of payments pressures as seen by Professor Hirschman in this book will occasion little controversy, the balance will most surely be corrected by his treatment of the population question. Professor Hirschman presents "with considerable reluctance some reasons which make us think that population pressures are to be considered forces that may stimulate development".

The argument that population pressure can be considered an inducement to development rests on two propositions. First: "population pressure on living standards will lead to counterpressure, i.e., to activity designed to maintain or restore the traditional standard of living of the community" (p. 177). Second: "the activity undertaken by the community in resisting a decline in its standard of living causes an increase in its ability to control its environment and to organize itself for development" (p. 177). Going back to his earlier assumption that underdeveloped countries have a reserve of un-

[a]Professor Hirschman suggests net output but perhaps it should be gross output, at least, in some cases.

utilized resources Professor Hirschman argues that if income per head in an underdeveloped economy falls owing to population increases and there is this 'slack', then if there is the motivation to restore earlier levels of living the economy will try to take up the slack and in the process of doing so has the chance of *learning* superior techniques of managing the economy and in this way a better chance of moving on to the development road. This, as Professor Hischman himself admits, is not a mechanism of adjustment on which one would want to rely, since the crucial factor is the presence of "the aspiration to return to the *status quo*". Yet it must be an interesting argument to economists for two reasons. First, as Professor Hirschman points out "it leads us to take a far calmer view of the situation". Second, and perhaps of more importance, it points to two major weaknesses in development theory as it now stands: the first of these is the limited concern with and understanding of what motivates development decisions; the second is the failure of theory to take account of the learning which takes place in the development process. Model makers are happy with quantities saved, capacity created and income generated. The field of 'what' is well explored. The fields of 'how'? and 'why' remain to be.

In the meantime Professor Hirschman has left us plenty to think about in this stimulating, provocative book.

References

1. STREETEN, Paul (1959) "Unbalanced Growth", *Oxford Economic Papers*, Vol. 11, No. 2.
2. SCHULTZ, Theodore (1956) "The Economic Test in Latin America", New York State School of Industrial and Labour Relations, Cornell University, *Bulletin* 35. August.
3. VAKIL, C. N., and BRAHMANAND, P. R. (1956) *Planning for an Expanding Economy*, Ch. III. Bombay.

BOOK REVIEWS

The Public Stake in Union Power. Edited by Philip D. Bradley. (University of Virginia Press, Charlottesville, 1959. x, 382 pp.

This volume contains sixteen "guest" lectures on the economic consequences of collective bargaining, delivered in a labour relations course conducted weekly by the editor at the Graduate School of Business Administration of the University of Virginia during the spring term of 1958. According to the book's preface, the guest lecturers were chosen because of their acknowledged skill in economic theory and their ability to deal with issues of such general significance as those which are presented by the labour movement. Each lecturer was permitted to choose his own topic, subject only to a general restraint that it would deal with some aspect of the problem of union power.

The readers of this journal ought to be warned at once of some of the book's general limitations. First, its geographic and political frame of reference is parochial. With one exception, the chapters are concerned largely with contemporary collective bargaining in the United States. Second, the wide discretion given to the authors in choosing their topics has resulted in a substantial degree of overlapping coverage of subject-matter. A summary chapter would have assisted greatly the reader who wishes to carry away some general conclusions. Third, it is difficult to support the claim that "a new approach to assessing the consequences of union power" has been achieved. At least one other volume *(1)* based on the premise that labour problems are too important to be entrusted to the labour specialist has appeared in print during the past decade; indeed, five of the contributors to that volume are represented in this book by very similar essays. Finally, it is remarkable that among those contributors who present conclusions on policy, most would limit further the extent of trade unionism and collective bargaining. Other viewpoints on the issues involved are represented among general economists, but are not to be found in this volume.

With regard to the coverage of subject-matter, the general reader had better ignore the division of the book into two parts, each containing eight chapters. The editor's contention is that, with two exceptions, the "more technical" chapters have been placed in Part II. In most instances, this means that terms have been more carefully defined, that assumptions are more explicitly abstract from experience, that the arguments tend to be more formal and rigorous, and, more frequently than in Part I, conclusions are confronted with experience, rather than assumed to be self-evident. Both parts of the book, however, contain chapters of interest and merit, as well as chapters which are rather on the commonplace side.

Five of the chapters, all contained in Part I, deal principally with the problem of union power as an issue of public policy. Four of these chapters,

by Chamberlin, Knight, Hayek, and Wright, largely restate views offered elsewhere by their authors. They are concerned to show not only that labour monopolies differ in no essential respect from business monopolies, but also that the former have worse results for the general welfare. It comes as no surprise that these authors recommend further restrictions on the extent of trade unionism and the scope of collective bargaining. Although in the same philosophical camp, a chapter by James W. McKie has more interest because it attempts to take account of significant differences among types of labour and product markets. However, the injunction that such differences should be taken into account in the formulation of public policy is easier to accept intellectually than to manage politically.

Three lectures, by Haberler, Fellner, and J. Meyer, discuss wage-price relationships, with only an occasional excursion into the so-called "labour monopoly" problem. The first two authors mentioned are moderately eclectic both as to conclusions and remedies on the current issue of "cost-push" versus "demand-pull" inflation. To this reviewer, the essay by Meyer was of most interest. Taking into account some recent findings on corporate investment and financial policies, Meyer develops several interesting cases for a general wage increase as an anti-deflation policy. However, he concludes that there are more efficient and more humanitarian means available for countering a serious recession.

Chapters by G. S. Becker, H. G. Lewis, and G. W. Nutter, which examine the nature and limits of union power, are largely heuristic. Becker's chapter, in particular, illustrates both the power and the limitation of formal economic theory applied to trade union policies and practices, since, in explaining the failure of his model to predict union membership admission policies, he is forced back to an "institutional" explanation. However, all three chapters will repay study for the research suggestions which they contain.

One of the most perceptive chapters in the book is by Albert Rees, who enjoys a well-deserved reputation as a labour specialist as well as for his skill in general economics. Rees deals with the non-wage aspects of collective bargaining, particularly with the effects of seniority and grievance procedures on the security of the individual worker. Students who are concerned with the effects of collective bargaining on labour mobility, a subject on which there has been much speculation but little research, will be rewarded by a study of Rees' chapter.

In sharp contrast to the brilliance of Rees' work is a chapter by the editor, Mr. Bradley, who deals rather intemperately with the problem of union security. This chapter demonstrates the author's mastery of epithet but will do little to establish him as a historian of labour policy. From the account given here, the reader would never know that American workers often faced great employer resistance in their efforts to organize unions, or that it might be socially more beneficial for workers to have the protection of various insurance schemes and benefit programmes than to face unemployment or old age with nothing more than their individual resources.

A chapter by J. M. Clark on wage theory and collective bargaining is worthy of note for the author's observations on the failure of theory to assimilate the phenomenon of trade unionism. A chapter by A. Alchian on academic tenure is an amusing, ingenious, and imaginative attack on job security in American college teaching. However, numerous instances of dismissal of college teachers for the expression of unpopular ideas contradict the author's thesis that protection of academic freedom has little to do with the tenure rule.

Readers of this journal may have a special interest in the chapter by P. T. Bauer on wage regulation in underdeveloped countries. However, except for the frame of reference of the argument, the objections raised against minimum wage legislation have a nostalgic familiarity. Bauer would concede the need for such regulation where there is substantial monopsony in the labour market, but argues that such cases are rare in underdeveloped countries. It is worth noting, however, that historically the need for such legislation has been most acute in competitive labour markets.

Despite some chapters of real merit, it is regrettable that other distinctive viewpoints and conclusions on the economic consequences of collective bargaining are not represented in this volume. It is to be hoped that readers of this book, as well as the students before whom the lectures were originally presented, will withhold judgment until they have had the opportunity to study the views of those who are associated with another persuasion.

Cornell University Robert L. Aronson,

REFERENCES

WRIGHT, David McCord (1950), *The Impact of the Union*, Washington.

Family Life in The Netherlands. By Dr. K. Ishwaran, Uitgevery Van Keulen. N.V. The Hague, 1959.

It has often and convincingly been argued that cross-cultural research opens possibilities for the understanding of a society which are denied to the social scientist who is himself a product of the social system he studies. The foreign observer is frequently in a better position to discover essential social characteristics, which to the native are either too obvious or too much a part of his own cultural equipment to be taken into consideration.

However, having discovered whatever seems to him essential, the foreigner is often tempted to generalize and to exaggerate. Since his sample is normally small and his awareness of the subtleties of cultural differentiation necessarily limited – if it were not he would no longer be an outsider – he comes to conclusions which to the native observer seem to be often crude, superficial and out of touch with reality. How right can a rule be to which one knows so many exceptions?

If it is true that the same social distance which enables the foreigner to discover the general pattern prevents him from seeing its variations, then any study of social change in a foreign society is liable to remain superficial. Almost necessarily he will see it as more stable than it is. For by its nature social change can best be apprehended by those whose memory provides

them with a frame of reference, and interpreted by those whose familiarity with their culture enables them to take its hints. The book under review seems as good an example of the neglect of cultural differences as of the tendency towards conservatism inherent in cross-cultural studies.

Dr. Ishwaran, an Indian social scientist, who studied at the Universities of Bombay and Oxford and at the Institute of Social Studies in the Hague, has with his study of the family in the Netherlands made a welcome contribution to one of the underdeveloped fields of Dutch sociology. In Holland the sociology of the family was until recently based on impressions rather than systematic observation. Sociological opinion tended moreover to be one-sided, with an almost unanimous agreement that modern times and the city have had a very undesirable influence on the family – as indeed on many of the society's morals and institutions. It seems probable that this gloomy view was at least partially due to the circumstance that the origins and interests of the most influential sociologists in Holland are with few exceptions rural rather than urban. The countryman, usually, is more ready to condemn than fit to judge the city.

The question Dr. Ishwaran set out to answer was: "Has the Dutch family changed in its essentials during the process of social change through which Dutch society has been passing since the beginning of this century?" (p.13). His answer is that there has been no essential change (p. 214). In all fields investigated, he came to the conclusion that "the expectations of youth do not differ greatly from those of their elders" (p. 226). He found: "a continuation of attitudes with respect to kinship ties and obligations, the love of children, the conception of the family as functioning in the transmission of cultural values from generation to generation, the familistic attitudes and, over and above all, the general conception of the 'way of life' of the family" (p. 228)). Though statements like these may not sound very clear, they are repeated so often that by the end of the book the reader is not left in doubt as to the healthy state of Dutch family life.

Or is he? After all, what did Dr. Ishwaran study? He does not seem to be very certain himself. Whereas in his Preface he claims to have made "a systematical study of Western family life" (p. 1) in the succeeding pages his subject becomes more modestly "the modern, urban, middle-class family", only to emerge again in the last chapter as the Dutch family.

In fact, what he studied was a random sample of 415 students from the University of Leiden. Since only 14 per cent of the students were married, the study was restricted to the procreational family. All were submitted to a questionnaire of the "poll" type, and 20 per cent were interviewed by the writer. The reason for the selection of this sample was mainly that the research worker lived nearby and that all the students could speak English (p. 6). This is indeed the only justification possible, since even a short study of the sample reveals that the families studied were neither modern, nor, on the whole, urban and middle-class.

Certainly they were not modern in the sense of young or new. Indeed 88

per cent of the fathers and 80 percent of the mothers were older than 50, none being younger than 40. This meant, of course, that there were no small children in the home. To overcome this difficulty, some of the older students were asked to describe a day at home not less than twenty years ago, since it was quite rightly decided to skip the war period. However, this begs the question of the modern family.

Neither was the majority of these families urban. Unfortunately place of residence is nowhere specified, but only 12 per cent of the students lived in "big cities", and 57 per cent came from what Dr. Ishwaran describes as the Ranstead, (the name given to the ring of industrial centres in Western Holland, which normally includes the three major cities). The comparison which the writer makes between his sample and the statistics of Leiden University suggests that he has registered every inhabitant of the two Western provinces— Noord-Holland and Zuid-Holland who did not live in a big city, as living in the Ranstead, i.e. in urban surroundings. This is however a serious mistake; as every Dutchman will realize, it is hardly possible to regard the many residential villages in these provinces, with their almost exclusively upper middle-class population, as urban.

More important is the question of class. The identification of the middle-class with the Dutch family in general is defended on the grounds that middle-class values have such great prestige that they are considered by the majority of the population as correct, modern and desirable (p. 5). It may be argued that an agreement on values does not imply a conformity of behaviour. Moreover, the writer states elsewhere that there is "a working class milieu with its own norms, values and symbols of prestige" (p. 73). And interesting though unfortunately unillustrated remarks, like: "The early emancipation of workers' children has led to a general decline of social norms with respect to family, church and school" (p. 75) would lead one to expect that a study of these families would be extremely rewarding to the student of the changing family. However from this student's observation that "wooden shoes are a sure sign of membership of the working class" (p. 36) one fears that his acquaintance with this class was largely restricted to the picturesque herring vendors of Leiden.

Besides, one may well ask in what way the parental families of Leiden's students may be regarded as middle class. Dr. Ishwaran defines this concept as the "socio-economic stratum so defined by the Netherlands Central Bureau of Statistics". According to this definition the class distribution of Leiden's students was in 1955: 59 per cent upper, 36 per cent middle, 5 per cent lower class.[a] The national class distribution is not given (an amazing omission), but for a reasonably accurate impression, I would suggest interchanging the words upper and lower of the former classification. Since Leiden is the Oxford of Holland's Universities, and the traditional choice of Royal students, this heavy representation of the upper class should not be surprising.[b]

a p. 34, percentages deduced from absolute figures.

b The percentage of upper-class students is very high in all the Dutch Universities, but highest in Leiden.

Since the sample was stratified only in regard to sex, the assumption is justified that a large proportion of the families studied belonged to the upper class. Nevertheless a differentiation between upper and middle class is never made in the text (class distribution is only recorded in an Appendix); and on the contrary the whole student body is regarded as middle class. In the absence of such important data as occupation, income, or size of house, only secondary indications are left to show that it did not derive prodominantly from that class. For instance 41 per cent of the families owned a car (as against 13 per cent of the general population), 43 per cent of the students were born or brought up in Dutch families in Indonesia, 43 per cent of the fathers had enjoyed a University education and 56 per cent of the families employed a full-time servant! Significantly one of the photos used to illustrate the homes of the middle class shows the Royal Family at tea.

Now from the point of view of an Indian observer, there may indeed be no essential difference between the Royal Family and the family of an office clerk in Holland. The discovery of a common culture across class distinctions is often the perogative of the foreign observer and would certainly have been a valuable contribution to the understanding of Dutch society. But the point is that the office clerk's family was not studied, and that the misrepresentations in regard to age, urbanization and class, all combine to exaggerate the degree of stability in family life.

As a result the opinions of Dr. Ishwaran's informants are characterized by a high degree of conformity to a somewhat old-fashioned moral code. If one compares them for instance, with those of the 2,299 young people of all classes whose opinion on some of the same questions was recently asked, this is consistently borne out *(1)*[a].

Even in the light of the material provided, conclusions like "there is no decline in the value attached to religion" (p.177) seem unjustified. When 20 per cent of the children with parents of the same religion and 60 per cent of those whose parents belong to different denominations, do not regard themselves as belonging to any church; when 53 per cent of the sample attend church less than once a month (p. 181) it seems that some decline is undeniable. Again the extreme importance of religion to the family is illustrated with remarks made by students belonging to the most orthodox denominations, whereas the high percentage of non-denominational students (47 per cent) is dismissed with a quotation from Hofstee, who argues that one may take religion too seriously to join any church *(2)*.[b]

The connection between the political party system and religion is often insisted on, but no mention is made of the steady decline of the two Protest-

[a]cf. especially opinions on divorce, the right of the married woman to work outside the home, the tolerance of mixed marriages. Contrary to Dr. Ishwaran's conclusion the rigid religious division of Dutch society was considered to be the most important national problem.

[b]The remark was however made in the context of rural life, where it is known that an extreme awareness of unworthiness sometimes prevents a man from regarding himself as a church member.

ant parties since the war and the increase of the two non-denominational parties. No investigation is made into the relation between denomination and class, though this might have given interesting information on the changes in church affiliation.

Finally, the writer's most important conclusion that the Dutch family has remained essentially unchanged, rests methodologically on very weak grounds, since he does not compare modern families with families in the past – admittedly a difficult task – but the families of adult children with those of the same children when they were twenty years younger.

It was high time that somebody pointed out that the state of the family in Holland is not as sad as public opinion and social science have thought it to be. It is therefore very unfortunate that the evidence offered is so unconvincing that no sociologist who has held that the Dutch family is disintegrating will feel it necessary to change his mind. Nevertheless if Dr. Ishwaran's study will lead to a new interest and to more inductive methods of investigation it will still prove to have been an important contribution to the sociology of the family in Holland.

University College
of the West Indies.

Renate Rubinstein

REFERENCES

1. GOUDSBLOM, Y. (ed.) (1959) *De Nieuwe Volwassen*. Amsterdam.
2. HOFSTEE, E. W. (1957) *Rural Life and Rural Welfare in the Netherlands.*

BOOKS RECEIVED

BATTEN, T. R. School and Community in the Tropics. O.U.P., London, 1959.

BORDA, Orlando Fals. *La teoria y la realidad del Cambio Socio-cultural en Colombia.* Universidad Nacional de Colombia, Bogota, 1959.

COMHAIRE, Jean. *How Cities Grew.* The Florham Park Press, Inc. New Jersey, 1959.

Far Eastern Economic Review and 1960 Yearbook. Hong Kong.

HAGLUND, Elsa. *Housing and Home Improvement in the Caribbean.* F.A.O. and Caribbean Commission. Trinidad, 1958.

HOLMES, Alan R. *The New York Foreign Exchange Market,* Federal Reserve Bank of New York, New York, 1959.

The Journal of Law and Economics. University of Chicago Law School, 1958.

MATTHEWS, David and APTHORPE, Raymond (Eds.) *Social Relations in Central African Industry,* The Twelfth Conference Proceedings of the Rhodes-Livingstone Institute for Social Research. Lusaka, Northern Rhodesia, 1958.

A Nation is Built in its Homes. Caribbean Commission, Trinidad, 1959.

NURKSE, Ragnar. *Patterns of Trade and Development,* Wicksell Lectures, Stockholm, 1959.

Report of the Central Bank of Surinam for 1958. Paramaribo, Surinam, 1959.

STURMTHAL, Adolf. (Ed.) *Contemporary Collective Bargaining in Seven Countries.* The Institute of International Industrial and Labor Relations, Cornell University, Ithaca, New York, 1957.

Notes on Contributors

Prof. Harry G. Johnson is Professor of Economics at Chicago University.

Dr. Gerald M. Meier is a lecturer in the Department of Economics and Social Science at Wesleyan University, Middleton, Con.

Dr. T. Balogh is a lecturer in Economics and Politics at Balliol College, Oxford.

Mr. William G. Demas is an economist in the Economic Planning and Development Department of the Government of Trinidad and Tobago.

Alfred P. Thorne is Director of the Department of Economics, College of Social Sciences, University of Puerto Rico.

R. W. Lindholm is Dean of the School of Business Administration, University of Oregon.

Alexander Rubner is at present an economic consultant and lecturer in London. He acted at one time as Economic Adviser to the Israeli Ministry of Finance.

C. Jayawardena was until recently a Research Fellow of the Institute of Social and Economic Research and has now been appointed to the Department of Anthropology at Sydney University, Australia.

Nancie L. Solien is a Lecturer in the Department of Anthropology, University of California, Berkeley.

Lloyd Best is a Research Fellow of the Institute of Social and Economic Research.

ce

nt

ci-

of

He

nd
at

li-